PROBLEMS AND PROSPECTS OF CHURK CEMENT FACTORY OF MIRZAPUR

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BY

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TO WHOM IT MAY CONCERN :

This is to certify that Mr. MOHAMMAD YAMEEN worked under my supervision for his M.Phil. dissertation entitled "PROBLEMS AND PROSPECTS OF CHURK CEMENT FACTORY OF MIRZAPUR". The work done by him is worthy of submission for the award of M.Phil. degree in Commerce of the Aligarh Muslim University, Aligarh.

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I

A C K N O W L E D G E M E N T

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PREFACE

Cement industry occupies a predominant position in the industrial sector of India. It is one of the major and oldest industries which has greatly contributed in the progress of Indian economy. Cement industry has also played a crucial role in converting the old civilisation to modern one from mud houses to concrete houses. Cement is used as a binding agent. In ancient times man had used the dried and burnt bricks but he was ignorant about cement. He was using mud in place of this material. Cement can be obtained by two sources (a) natural and (b) artificial. Natural cement is of three types i.e. (i) Roman Cement (ii) Pozzolana Cement and (iii) Medina Cement. Natural cement is rarely manufactured any where these days. It is out of use. Natural cement was produced when there was little demand of this commodity. However, with the increase in demand there was need of large scale production in order to facilitate the economic growth. Thus, artificial cement known as portland cement was produced by Joseph Aspidin an English brick-layer in 1824.

Cement industry has started production since 1914 in the country, but there was a gloomy progress in this sector because India was ruled by foreigners (Britishers) and they were not interested in exploiting natural resources

of this country. However, the development of Cement Industry commenced during post independence period and it has been especially accelerated since the beginning of First Five Year Plan. There were 19 cement factories on the eve of independence which has gone up to 110 in 1985. During post independence period the first public sector cement unit was established by the Government of U.P. named as Churk cement factory at Mirzapur in 1954. In the early days Churk cement factory has worked very well and it was using about 80 percent of its capacity. But later, after 1980 Churk cement factory has not shown a good performance due to old production process, obsoleteness of machinery and technological constraints.

In the present work an attempt has been made to evaluate the performance and find out the problems and prospects of the Churk cement factory of Mirzapur, which has the proud of being a first state owned factory in the country. At present, the Churk cement factory is functioning under the supervision of U.P. State Cement Corporation Limited. Prior to the establishment of this unit, cement industry was wholly owned by the private hands. At present also the major share of factories in the cement industry

is dominated by the Private owners.

The objective of the study is to critically examine the several problems confronting the Churk cement factory and its prospects in order to increase the production as well as productivity for improving the over all efficiency, profitability and customer services. The aim of this study is to find out various drawbacks and pitfalls pertaining different issues like production process, infrastructure, finance and price policy and distribution of cement and to suggest appropriate measures to over come the shortcomings of Churk cement factory. This study also surveys the historical background of cement industry of India with a view to assess its future pattern of growth.

The study is based on published and unpublished data, collected from primary and secondary sources. Informations have also been gathered from manuals, Cement Manufacturers' Association , annual reports of U.P. State Cement Corporation Limited, Directories and Year Book, text books on Indian Industries, journals and various other publications pertaining to cement industry.

The present study has been divided into five chapters. The first chapter contains an over-view of

of cement industry of India. Second chapter is intended to study the growth and development of Churk cement factory of Mirzapur. The third chapter is devoted to critically examine the various problems confronting the Churk cement factory. The fourth is an attempt to deal with the prospects of Churk cement factory and the fifth and last chapter contains the summary and suggestions.

It is hoped that this study would provide useful guidelines for the balanced growth of the Churk cement factory of Mirzapur and the methods suggested to improve its performance would go a long way in boosting the image of Churk cement factory in the country.

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C H A P T E R - I

"AN OVERVIEW OF CEMENT INDUSTRY OF INDIA"

"AN OVERVIEW OF CEMENT INDUSTRY OF INDIA"

Cement is of great importance to the economy of the country. It is used for the erection of factories, building of residential premises, laying of multipurpose projects, construction of roads and making of dams and bridges etc. Before the invention of this important material which binds stones and bricks together, building industry in advanced countries was using lime for the construction of walls and roofs etc.

Cement, the builder of modern civilisation which ranks next to steel as construction material refers to portland cement only. Portland cement is granular powdery substance generally Khaki green in colour which when mixed with water forms a coherent mass. [1] Portland cement was first manufactured in England in the early part of the nineteenth century. It resembled a stone quarried near Portland, England, from which it derives its name of Portland cement, first time it was used by Joseph Aspidin in 1824.[2] It was during the later part of the 19th century

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1. Cement , Bombay , October-December, 1987, p.19
2. Times of India, Directory & Year Book, Bombay 1984, p.157.

that many countries adopted this process of cement manufacture. The first cement factory was established around 1890 in both Canada and Australia, while it was found in 1884 in Newzealand. However, in India it came to be established only during the beginning of the present century.[3]

The birth of the cement industry in India goes back to 1904, when cement based on sea-shell as source of limestone , was first manufactured in Madras, at a rate of 30 tonnes a day. But the industry did not farewell, as production could not take place for ten more years.[4] However the real foundation of cement industry came into existence just before the beginning of First World War. It was in 1912-13, when first cement factory Tata 's Khatau's Indian Cement Company Limited was set up at Porbandar (Gujrat) and production started in October 1914 with a capacity of 1000 tonnes per annum. With the success of the first cement plant at Porbandar, two more factories were established in the country. One at Katni (Madhya Pradesh) named as Katni Cement and

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3. Das,Kumar Bar, Cement Industry of India, Ashish Publishing House, New Delhi, 1987, p.30.
4. Memoria, C.B., Organisation and Financing of Industries in India, Kitab Mahal,Allahabad, 1982 p.919.

Industrial Company Limited and another at Lakheri (Rajasthan) named as Bundi Portland Cement Company Limited. Both of these factories started their production in January 1915 and December 1916 respectively. The combined out put of these three factories in 1920 was 92,718 metric tonnes a year.

Cement industry in India developed specially during the First World War, when the Government purchased the huge quantity of cement for heavy constructional works in railways and bridges. Up to the year 1914 when the war started, India was importing nearly 180000 tonnes of cement annually to meet her requirements, [5] but soon after the war domestic production of cement increased continuously. In the post-war boom period between 1919-1924 three new companies were established at Japla (Bihar), Dwarka (Gujrat) and Banmore (M.P.) their combined capacity was 5,59,000 tonnes. Thus, in the post-war boom period development was very rapid and the aggregate production increased from 945 tonnes in 1914 to 2,36,746 tonnes in 1924 and the imports in the same period decreased from 1,65,733 tonnes to 1,24,186 tonnes.[6] This increase in the capacity

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5. Sharma, T.R., & Chauhan, S.D., Indian Industries, Shiv Lal Agarwal and Co., Agra , 1979, p.616.
6. Memoria , C.B., Organisation and Financing of Industries in India, Kitab Mahal, Allahabad, 1982, p.919.

and production of cement in the country created a price- war situation on account of foreign competition, and the problem of disposal of the product became a very serious problem for the industry. Due to the rate-war in the domestic market, the indigenous firms reduced their prices to such an extent, that they fell below the actual cost of production. Hence, the competition from foreign firms resulted in heavy losses to the shareholders.

At this juncture the survivors of the rate war joined together and a number of applications for protection against the foreign competition were made to Tariff Board with a request to grant a subsidy of Rs.25 per tonne.

The Tariff Board, after making an enquiry, found that industry possessed natural advantages in respect of raw materials of excellent quality but laboured under a considerable handicap with regard to fuel as most of the works were situated away from the coalfields. Regarding markets the Board pointed out that the upcountry market was a naturally protected market for the Indian cement works, which, except for Saurashtra factories, were above 300 miles from any port. Elsewhere, especially in Bombay and Calcutta, Indian cement had to face the competition of foreign supplies. However, as the principal market for cement

in India is not upcountry but in ports, most Indian factories were at a disadvantage here,being away from the ports. Hence, the Board declined to recommend protection to the industry on the ground that it was suffering from over production and prices were deter - mined by internal among Indian manufacturers and not by imports.[7]

The Tariff Board recommended protection of the indigenous industry against the dumping of imported cement at uneconomic prices in order to help the industry to over come this difficulty, certain proposals were put forward for raising the customs duty from 15% to 41% so that foreign cement may be excluded from the Indian market resulting in substantial rise in domestic output of cement and an attractive profit margin. [8] But the proposal of the Tariff Board was not accepted by the Government of India, and the cement industry was, therefore, left for setting up its own houses by its own resources.

Ultimately an association was formed in 1925, known as the Indian Cement Manufacturers Association,

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7. Memoria, C.B.,Organisation and Financing of Industries in India, Kitab Mahal,Allahabad, 1982, p.919.

8. Das, Kumar, B. Cement Industry of India,Ashish Publishing House, New Delhi, 1987, p.34.

which was entrusted with the responsibility of fixing and regulating the sales prices. Emergence of this association helped a lot in order to save the cement industry from shrinking due to internal and external competition.B.P. Adarkar opines here "there is no doubt that the refusal of the Government to grant protection forced the manufacturers to accept trustification". Low profitability, due to the adverse effects of foreign competition combined with unhealthy internal competition, would have caused the industry's collapse. A complete ban on imports would have amounted to protecting an inefficient industry. Once such protection is given, the industry would have no incentives to improve its efficiency. It would have rather, resulted in market sharing agreement based on installed capacity, given the excess capacity. Thus the consumers both in the interior and port markets would have suffered. Hence the stand taken by the government cannot be considered 'Irresponsibile'.[9]

Another association was formed in 1927, known as the Concrete Association of India its aims were (a) to educate the public in the uses of cement, in order to

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9. Das, Kumar B., Cement Inudstry of India, Ashish Publishing House, New Delhi,1987 p.24.

increase the consumption of cement in the country and (b) to provide free technical aid and advice to the consumers. In 1930 the Cement Marketing Company of India (CMCI) came in-to existence, and a quota system was adopted on the basis of installed capacity of each factory . The Cement Marketing Company of India (CMCI) really succeeded in eliminating internal competition, reducing transport charges, avoiding over production and increasing the demand for cement by a centralised advertising compaign. [10] All these measures gave impetus to the growth and development of cement industry in the country and provided a better performance in order to raise the sales of cement and safety from price war with the internal and external competition. As a result various new factories were established . The installed capacity increased to 14.7 lakh tonnes in 1935 from 5.8 lakh tonnes in 1924 and the production also rose to 8.6 lakh tonnes from 2.7 lakh tonnes during the same period. On account of increase in production the imports further declined to 32,000 tonnes in 1937 -38 from a level of 1,24,186 tonnes in 1924-25.

During the Second World War period the industry progressed very well as the overseas order were received

10. Das, Kumar B. , Cement Industry of India, Ashish Publishing House, New Delhi, 1987 , p.35.

in large numbers and prices rose. The Indian Government also took heavy stock of cement for A.R.P. works, military construction, etc. The imports declined from 21,000 tonnes in 1938-39 valued at Rs.10 lakh to 4,300 tonnes in 1940- 41, valued at Rs.6 lakh. As the Government had strict control over the supply of cement most of the civilian demand remained unmet.[11]

After attaining the independence India adopted the principle of planned economic development of the country. Prior to independence there were 24 cement factories with an annual capacity of 26 lakh tonnes in undivided India. As a consequence of partition 5 had gone to Pakistan and the annual capacity of cement production declined to 22 lakh tonnes. During post independence, in the planning era, cement industry in India has developed very rapidly. The following table gives the profile of target and achieved capacity and reveals the target and actual production of cement in India during the planned period :-

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11. Memoria, C.B., Organisation and Financing of Industries in India, Kitab Mahal ,Allahabad , 1982, p.921.

TABLE No.1

TARGETS AND ACHIEVEMENTS OF CEMENT INDUSTRY OF INDIA

(in million tonnes)

Five Year Plans	Year Ending	Capacity			Production		
		Target	Achievement	% of Target	Target	Achievement	% of Target
Pre Plan	1950-51	-	3.28	-	-	2.20	-
I Plan	1955-56	5.32	5.02	94.3	4.80	4.60	95.8
II Plan	1960-61	16.00	9.30	58.1	13.00	7.97	61.3
III Plan	1965-66	15.00	12.00	80.0	13.00	10.97	84.3
IV Plan	1973-74	Not fixed	19.76	-	18.00	14.66	81.4
V Plan	1978-79	23.50	22.58	96.0	20.80	19.42	93.3
VI Plan	1984-85	43.00	42.80	99.5	34.50	30.17	87.4
VII Plan	1989-90	62	-	-	49.00	-	-

Source : Kotthari's Year Book on Business and Industry, Madras, 1988, p.A41.

At the beginning of the First Five Year Plan (1950-51) there were 21 cement units with an installed capacity of 3.28 million tonnes, while its production was 2.20 million tonnes. At the end of Sixth Five Year Plan (1984-85) , there were 110 cement factories in production with an installed capacity of 42.80 million tonnes, when its production was 30.17 million tonnes, During the Seventh Five Year Plan in 1987-88 installed capacity of cement industry has gone up to 54 million tonnes and the production of cement jumped to 39.3 million tonnes. It is estimated that the annual capacity will stood at 62 million tonnes and production will rise to 49.0 million tonnes by the end of the Seventh Plan. With the extension of installed capacity and setting up of new factories in the country during planning period, India has become the sixth largest producer of cement in the world.[12] Cement industry provides employment to about one lakh persons directly and contributes Rs.8,718 million (approximately) to the Gross National Product of India.[13]

The cement factories are mainly concentrated in Madhya Pradesh, Tamil Nadu,Andhra Pradesh , Rajasthan,

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12. Economic Times, New Delhi, April 11, 1987 p.5

13. Times of India, Directory & Year Book,Bombay, 1984,p.157.

Gujrat, Bihar and Karnataka, These statesaccount for 90 per cent of the limestone reserves of the country. Location of a cement factory near the limestone resources has got its own advantages. The unique feature of the cement industry is the predominance of the private sector. It accounts for four-fifths of the installed capacity as well as production of cement in the country. Within the private sector also, the Associated Cement Companies Ltd.; is the single largest producer. Its share in the total cement production is more than one-fourth. The first public sector (a Union Government undertaking) cement plant in India was set up by the Cement Corporation of India at Mandhar in Madhya Pradesh in July 1970. The public sector plants together account for one-fifth of the total cement production in the country.[14]

Cement is largely required for construction purposes. The demand for cement has, therefore been on increase since 1950s due to the developmental programmes in the country. The per capita consumption of cement has shown a steady growth since the beginning of planning era. The per capita consumption of cement in the country was 7.4 kgs in 1950, which has increased to 25 kgs in 1975 and at the end of 1985 it was 44 kgs. The per capita consumption of cement in the country was less than one fourth of the average

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14. Commerce, Bombay, January 3-9, 1987 , p.14.

per capita consumption of 200 kgs in the world, and much below that of advanced countries as 693 kgs in Italy, 591 kgs in Japan and 442 kgs in South Korea. One of the significant reasons behind this staggering gap in per capita consumption of cement between India and advanced countries was mismatch between demand and availability of cement to the ultimate consumers. This view may be corroborated in the succeeding table No. 2, which shows demand and production of cement in the country between 1980-81 to 1986-87.

TABLE NO.2

DEMAND AND PRODUCTION OF CEMENT IN INDIA FROM 1980-81 TO 1986-87

(million tonnes)

Year	Demand	Production	Gap
1980-81	28.0	18.7	(-)9.3
1981-82	30.2	21.1	(-)9.1
1982-83	32.6	23.3	(-)9.3
1983-84	35.6	27.1	(-)8.5
1984-85	37.0	30.2	(-)6.8
1985-86	39.4	31.1	(-)8.3
1986-87	41.4	36.4	(-)5.0

SOURCES: (a) Commerce, Bombay, January 3-9, 1987, p.16.
(b) Cement , Bombay, October-December, 1987,p.36.

Data set out in Table No.2 reveals that the demand of cement in domestic market was relatively more than the production of cement. It has shown a gap of 5.0 million tonnes in 1986-87 between demand and supply against the gap of 9.3 million tonnes in 1980-81 . This gap between demand and availability was the main reason of low consumption in the country. It is notable here that the gap between demand and availability was decreasing since 1980-81 and it is expected that the demand will be fulfilled by internal production in near future.

Export occupies a predominant position in the economic development of a country's economy. The need for foreign exchange is urgently felt by a developing nation, it may be met by various sources like foreign aid ,loans, private flows and exports. In order to boost export of a commodity like cement, there is no need to explore new market abroad, because this commodity is demanded in huge quantity by our neighbouring countries like Pakistan , Sri Lanka, Bangaladesh, Nepal and in the Middle East. A decade before India exported about 4 lakh tonnes of cement annually to the neighbouring countries and to the Middle East . But on account of continuousincrease in domestic consumption the demand of cement was increasing and cement industry was not coping with the internal requirements.

So, in view of the shortage of cement in the country, the Government has virtually banned export of this commodity from 1978 in order to augment supplies for the domestic market.[15]

Now, imports of cement have also been disallowed by the Government of India, With the introduction of policy of partial decontrol from Feburary 1982 domestic production of cement was increasing gradually. The production of cement has increased from 18.1 million tonnes in 1980-81 to 39.3 million tonnes in 1987-88. The decision was taken by the Government in view of additional capacities and technological advancement. The Government was importing the cement through State Trading Corporation to bridge the gap between demand and supply in the domestic market. The following table gives the figures of import of cement between 1980 -81 to 1986-87.

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15. Times of India, Directory and Year Book, Bombay, 1984, p. 158.

TABLE NO.3

IMPORTS OF CEMENT IN INDIA FROM 1980-81 to 1986-87.

Year	Quantity in Lakh Tonnes
1980-81	19.74
1981-82	15.98
1982-83	15.43
1983-84	25.00
1984-85	3.74
1985-86	3.31
1986-87	1.71

SOURCES : (a) Commerce, Bombay, January 3-9 ,1987,p.16
(b) Cement , Bombay, October -December, 1987, p,37.

Table No.3 denotes that there was huge decline in the import of cement from 19.74 lakh tonnes in 1980-81 to 1.71 lakh tonnes in 1986-87. It was mainly due to the higher production capacity and productivity with technological changes as well as the establishment of new units in India.

Cement industry has greatly contributed to the modern civilisation as well as to the socio-economic

development of rural sector in the country.Houses and roads are the mirror of the economic development of the country.Throughout the ages, civilisation has been measured by the development of roads and building architecture. The urban population in 1951 was estimated to be around 62 million which has gone up to 156 million in 1981. The year 1987 . was declared as the International Year for Shelter for the Homeless' by the United Nations, Let us have a.look at the housing scenario. in India. As against 1.9 million houses built annually during 1971-81, 3.6 million houses were built annually during 1981-85. This soar increase in housing was possible only by quantum jump in cement production in the country. The urbanisation has been world wide phenomenon during the 20th century. The World Bank has estimated that over half of the world's population would inhabit the urban area by 2000 A.D.[16]

Cement industry has played a significant role in the construction of roads specially in the development of cement concrete roads. At the end of 1961, the total road length in the country was 7.09 lakh kms which increased to 15.02 lakh kms by 1981 and 18 lakh kms in 1985. As per the Road Development Plan of 1981-2001, about

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16. Cement,Bombay,April-June , 1987, p.15-16.

26.03 lakh kms of road length has to be achieved.[17] Cement concrete roads could be another alternative to bituminous road. Construction of cement concrete road in India dates back to 1914. In fact , a number of concrete roads were constructed in the various cities of the country during 1920s, 1930s & 1940s have given very good performance. During the First Five Year Plan when cement was easily available, about 2400 kms of concrete roads were also constructed in the country. Unfortunately, when the Second Five Year Plan was launched in 1956, there was acute shortage of cement. This may have been primarily due to large scale industrial, agriculture, irrigational and building activities in the country.[18]

There was shortage of cement in the country till recently, but now the situation has changed with the introduction of partial decontrol policy of Government from February 1982. The cement industry is estimated to expand its production capacity by 62 million tonnes, and the production target is 49 million tonnes for the current Seventh Plan. The demand of cement in the country is estimated to be 44 million tonnes by the end of Seventh Plan.[19]

17.Cement,Bombay,July -September,1987, p.16.
18.Ibid.
19.The Hindu Survey of Indian Industry, Madras, 1986,p.245.

So there is the possibility of ready availability of this raw material for the construction of roads and buildings.

Cement industry has also played a significant role in the construction of dams, for producing electricity in the country, and also numer-ous bridges in order to facilitate easy transportation. It is thus a vital industry which occupies a crucial position in the economic develop - ment of India.

CONCLUSION:

From the foregoing discussion it is crystal clear that cement industry in India is showing a better performance since the introduction of planning period. With the increment in installed capacity from 3.28 million tonnes in the beginning of First Five Year Plan (1950-51) to 54 million tonnes in 1987-88 during the Seventh Five Year Plan and rapid increase in the installation of Cement factories from 19 on the eve of independence to 110 factories in the end of Sixth Five Year Plan (1984-85), India has become the Sixth Largest producer of cement in the world. Today the industry is in a position to cope with the full requirements of cement in domestic market. As a result of recent policy of the Government i.e. policy of partial

decontrol, the production of cement has increased very rapidly from 2.20 million tonnes in 1950-51 to 39. 3 million tonnes in 1987-88. The cement industry has greatly contributed in attaining the socio-economic objectives by providing the employment to about 1 lakh persons directly and contributing a considerable share in Gross National Product. It has also played a crucial role in rural sector of India by constructing concrete houses, roads and bridges in order to provide better facilities for the upliftment of rural economy. It is expected in the light of present progress of the industry that it will show better results in the years to come.

C H A P T E R - II

"GROWTH AND DEVELOPMENT OF CHURK CEMENT FACTORY OF MIRZAPUR"

"GROWTH AND DEVELOPMENT OF CHURK CEMENT FACTORY OF MIRZAPUR"

During post independence period, the first public sector cement unit in the country was established by the Government of U.P. in 1954 at Churk in district Mirzapur. The production of cement in the factory commenced in 1954 with aninstalled capacity of 700 metric tonnes daily and 2,40,000 metric tonnes annually. The expenditure on the establishment of this unit was Rs.4.68 crores. In 1962, Rs. 2.98 crores were spent more in order to make double, the production capacity of the Churk unit, and it became 1400 metric tonnes daily and 4,80,000 metric tonnes annually.

The first plot of the factory was purchased by M/s Vircks Arm Strong a British Company, and the second plot was purchased by Skeeda Company of Czechoslovakia. Up to 31st March 1972 this factory was working as a unit of Industrial Department of U.P. Govt. But since 1 April 1972 Churk cement factory is working asaunit of U.P. State Cement Corporation Ltd.

Locational Factor : The choice of a site for the manufacture of cement is generally influenced by transport cost. In the history of clay working in the United States (Henrich-Ries and Henry Lighton) it has been stated that where raw material and finished products are both bulky as is in the

case of cement industry, there is a tendency for the industry to be operated in a purely local way. For the manufacture of 100 tonnes of Cement, 160 tonnes of lime-stone, 38 tonnes of coal and 4 tonnes of gypsum are required. It is quite clear that more than 200 tonnes of raw materials yield only 100 tonnes (50 percent) market-able finished goods. To avoid heavy transport cost on material which lose weight in the process of manufacture the industry should remain confined to the regions providing the necessary raw material.[1]

The distribution of the cement industry is very much dependent upon the supplies of good quality lime-stone. Lime-stone with sufficient percentage of clay is one of the most important factors for establishing this industry. Abundant supplies of lime-stone of good quality exist in Ghurma quarry and it is estimated that 3 crore tonnes of lime-stone is available there. This quarry is very near to the Churk cement factory. Mostly factories in India are located near the lime-stone quarried because this is principal raw material.

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1. Sharma T.R. & Chauhan, S.D., Indian Industries, Shiv Lal Agarwal & Co., Agra, 1979, p.616.

Coal is used both as a raw material for cement making and generating the power. For cement production super quality of coal is needed and for power generation inferier quality coal can also be used. The coal required for use in the kilns should be of a very superior quality with the lowest possible ash content.[2] The coal is not readily available in near vicinity and almost half of the coal used in cement industry is brought up from Bihar and Bengal coal-fields, factories except in Bihar, Madnya Pradesh and eastern Uttar Pradesh are not advantageously located from its availability point of view. Churk cement factory being near Bihar has the advantage of getting the coal from there.

Gypsum is required in small quantity than coal and limestone, for making the cement. Gypsum is abundantly available in Bikaner and Jodhpur in Rajasthan. Churk unit is obtaining this raw material from Rajasthan.

Management :

The Board of Directors is the top management in this enterprise, and this board is responsible for implementing the objectives of organisation. The Churk cement factory is a unit of U.P. State Cement Corporation Ltd.,

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2. Sharma T.R.& Chauhan, S.D. Indian Industries, Shiv Lal Agarwal & Co. Agra, 1979, p.616.

which has two more factories in the district of Mirzapur one at Dalla & another at Chunar. The board thus is nominated at Corporation level by the Government of U.P. and these units i.e. Churk, Chunar and Dalla are individually controlled by General Managers, who are mostly civil servants. Policies are made at corporation level and these are communicated to concerned general managers.

In the cement factory of Churk, recruitments save the position of general manager are made for all managerial positions from all over the country through the head office i.e. U.P. State Cement Corporation Ltd. This factory provides the employment to a large number of people, the total number of employees in Churk unit at 1-4-88 was 1,333, besides these a number of casual / daily rates employees ware also engaged from time to time.

Welfare Schemes in the Churk Unit :

Workers welfare schemes are part of Government policies they have to bear some relationship with the profitability of the enterprise and the productivity of the workers. Public enterprises are known as the model employers and this concept has raised higher expectation in workers from public enterprises. The First Five Year Plan has stated that "the profit motive and the exploitation

of workers for private gain have no place in a state-owned enterprise. It is hoped that working condition and welfare arrangements in the public sector should in fact serve as models".[3]

The management of Churk cement factory provides various welfare amenities to its employees and to their families upto a maximum limit in addition to statutory obligations and facilities under Wage Board Award. 90 percent employees of the factory and quarry were getting the facilities of rent free accomodation, free water and electricity. Remaining 10 percent employees of the factory belonging to local area were receiving house rent allowances in lieu of the facilities awarded by the factory. Employees of the factory were included in "Employees State Insurance Scheme" and factory gives about Rs. 5 lakh per annum as contribution. Factory has a well designed 14 bed hospital at Churk and 10 bed hospital at Ghurma quarry with modern equipment and necessary facilities. There are full facilities of education for the children of workers from montessary to Intermediate. Churk cement factory maintains 1 montessory school, 4 primary schools and 1 Intermediate college. In order to provide entertainment facilities to the employees and to their families , Churk cement factory also maintains a well decorated club.

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3. Laxmi Narain, Principle and Practice of Public enterprise management, S.Chand & Co., New Delhi, 1980 p.415.

Churk cement factory provides the facilities of Gur, Oil, Soda, Soap and Uniform to the workers in factory and quarry. The workers working at night duties get tea, free from any charge. The workers working at heated and dusty places get heat allowance and dust allowance. There are well maintained canteens at both places, one at factory and another at quarry. The factory also provides the adequate facility of transportation, when the workers are required to reach a remote or far off place on duty, to enable them to reach their place of work in time and without under going hardship.

Cement industry in India has developed rapidly since the First Five Year Plan. The production of cement has gone upto 393 million tonnes in 1987-88 as against the production of 2.2 million tonnes in 1950-51 , and the cement industry was utilising its capacity about 73 percent per annum. As far as the cement factory of Churk is concerned it has not developed satisfactorily in comparison with other factories of India, due to its old production methods and obsolete machinery. Generally, for manufacturing the cement two processes are utilised, the wet process and dry process. Adoption of any method depends upon the moisture content of the cement grade lime-stone, cost of the fuel and availability of water. During the period under review Churk cement factory was using the wet process method for manufacturing the cement. This wet process system was very old and fuel consumption in this process is about 30 percent more

than the dry process and working of this method was not satisfactory. So, there was the immediate need to replace this old method of production with new dry process and overhauling of the machinery was necessary in order to increase the production of cement in factory.

The following table gives the profile of trends in production of cement and capacity utilisation in Churk cement factory between 1975-76 to 1987-88.

TABLE NO.4

TRENDS IN PRODUCTION OF CEMENT AND CAPACITY UTILISATION FROM 1975-76 TO 1987-88.

Year	Cement Production in Lakh Metric Tonnes	% Capacity utilisation
1975-76	3.84	80.0
1976-77	3.86	80.4
1977-78	3.36	70.0
1978-79	3.36	70.0
1979-80	2.67	55.6
1980-81	3.04	63.3
1981-82	2.87	59.7
1982-83	2.32	48.3
1983-84	2.12	44.1
1984-85	1.85	38.5
1985-86	0.05	1.0
1986-87	0.66	13.8
1987-88	0.97	20.2

Sources : (a) Uttar Pradesh Mein Udyogon Ka Vikas, Udyog Nideshalaya U.P., Kanpur, 1980-81 and 84-85 p.26 both.

(b) Data supplied by Churk cement factory.

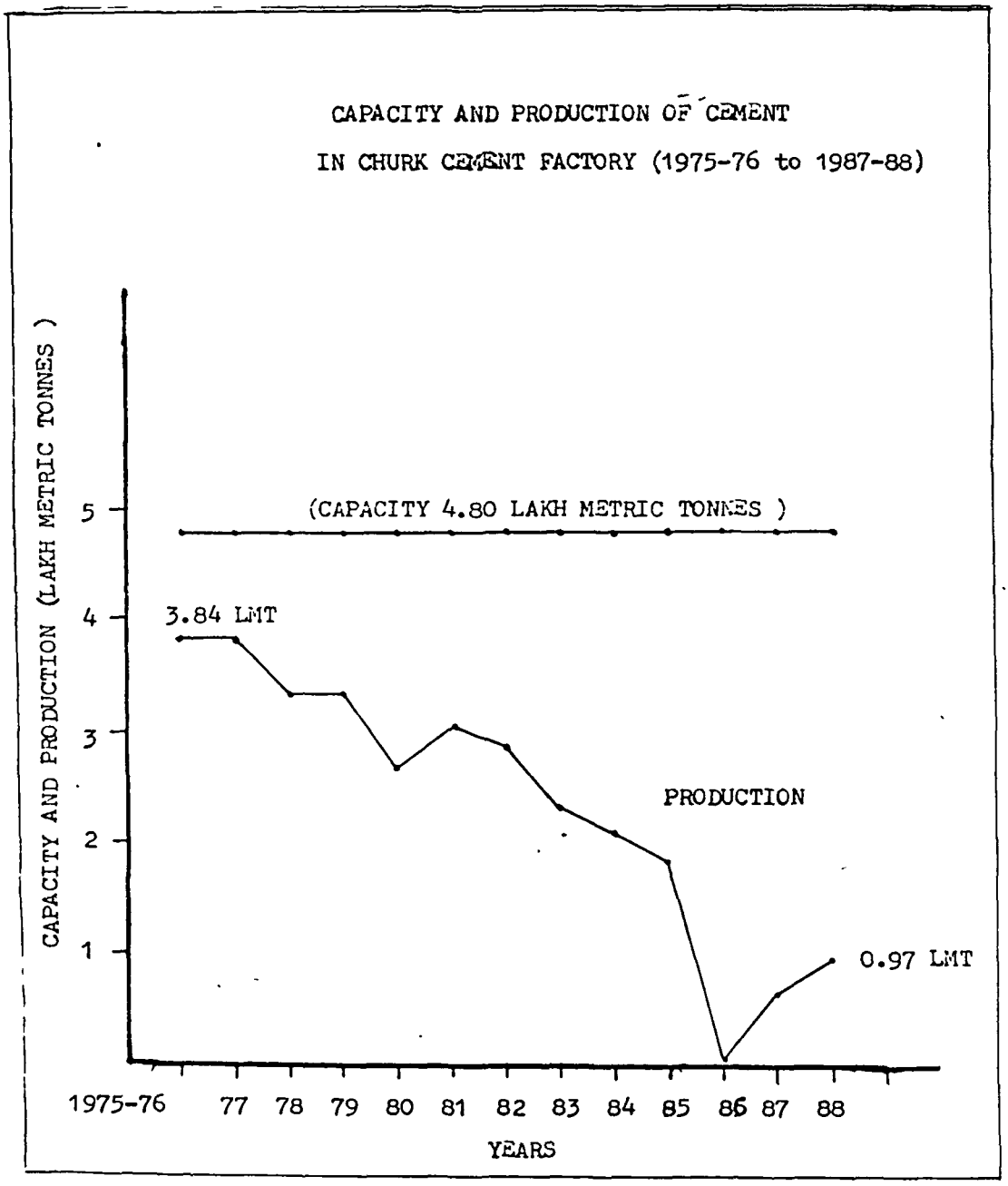
CAPACITY AND PRODUCTION OF CEMENT
IN CHURK CEMENT FACTORY (1975-76 to 1987-88)
CAPACITY AND PRODUCTION (LAKH METRIC TONNES)
5
4
3
2
1
(CAPACITY 4.80 LAKH METRIC TONNES)
3.84 LMT
PRODUCTION
0.97 LMT
1975-76
77
78
79
80
81
82
83
84
85
86
87
88
YEARS

FIG. 1

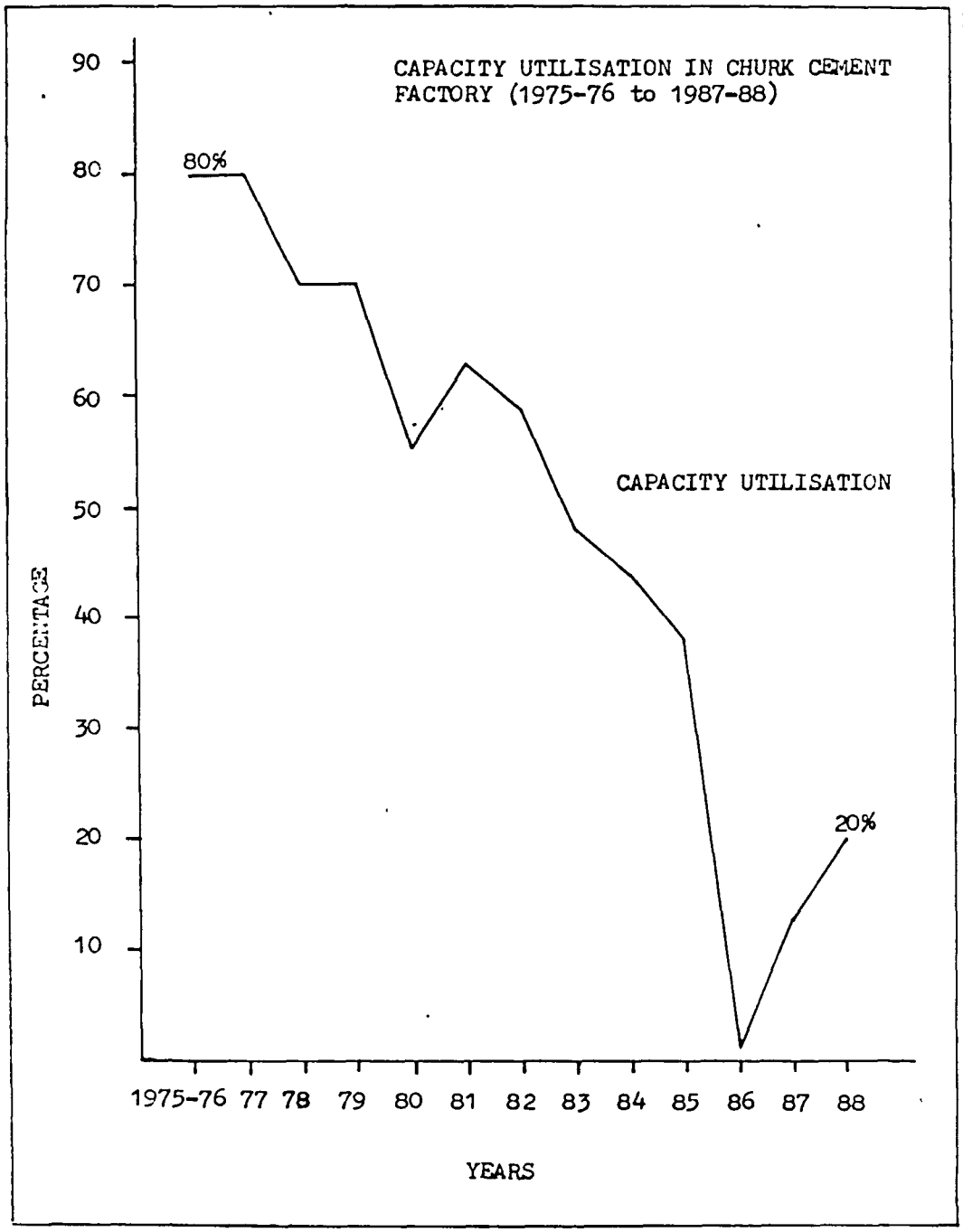
CAPACITY UTILISATION IN CHURK CEMENT FACTORY (1975-76 to 1987-88)
80%
20%
CAPACITY UTILISATION
PERCENTAGE
90
80
70
60
50
40
30
20
10
1975-76 77 78 79 80 81 82 83 84 85 86 87 88
YEARS

FIG. 2

It is evident from the Table no.4 and figures that the production of cement and capacity utilisation in Churk cement factory has steadily declined over the years. The production of cement declined to 0.97 lakh tonnes in 1987-88 from 3.84 lakh tonnes in 1975-76 and the capacity utilisation declined to 20.2 percent in 1987-88 from 80.0 percent in 1975-76 . In the first two years factory has used its capacity more than 80 percent and it was a good result. But later, the production as well as capacity utilisation in the factory was decreasing continuously. The decline in capacity utilisation was on account of implementation of major rehabilitation and modernisation works. It was also due to obsolete machinery and old production method i.e. wet process, supply of poor quality of coal, inadequate supply of power and bottlenecks in rail transport and other various mechanical defects and technical constraints in crushing plant.

Export occupies a crucial position in the economic development of a country's economy. Churk cement facoty has exported cement to Nepal in the last few years. Table given below provides a profile of trends in export of cement to Nepal between 1975-76 and 1979-80.

TABLE NO.5

TRENDS IN EXPORT OF CEMENT TO NEPAL FROM 1975-76 to 1979-80.

Year	Metric tonnes
1975-76	3,950
1976-77	13,854
1977-78	7,997
1978-79	30,523
1979-80	25,477

Source : Uttar Pradesh mein Udyogon Ka Viaka, Udyog Nideshalay U.P.,Kanpur, 1980-81, page 26.

Table II denotes that Churk cement factory has exported cement to Nepal in a fluctuating way and in small quantity. The export of cement rose to 25,477 tonnes in 1979-80 from 3,950 tonnes in 1975-76. The table also shows that there were further chances in order to increase the export of this commodity to Nepal. But due to poor performance of Churk unit and increment in internal demand factory was unable to further export the cement.

Distribution and Price of Cement :

Since the beginning of the Second World War Cement Industry imposed a sort of voluntary control upon itself.

The cement marketing Co. Ltd. of India which was distributing nearly 90 percent of the total cement produced in India introduced a system of priorities for defence requirements, But when the general economic situation deteriorated to the point of a serious crisis in 1942, the Government reserved 90 percent of the total out put for defence requirements leaving only 10 percent for civilian needs including all non-defence Government demands.[4] After 1946 the Cement Industry was facing control upon itself, the production distribution and prices of cement were controlled and regulated by the Central Government, which fixed up the whole sale prices, and on the basis of these, retail prices were fixed by the state Governments.

In July 1956, the State Trading Corporation took over the control of distribution of cement under the provision of the cement control order, 1956, in order to ensure equitable distribution and availability of cement. It fixed an uniform selling prices of Rs. 102.50 per tonne f.o.r., destination for packed cement.[5] The producers continued to complain that the strict price control and the subsequent lack of internal financial resources were mainly responsible

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4. Sharma T.R.& Chauhan, S.D. Indian Industries, Shiv Lal Agarwal & Co. Agra, 1979,p.616.

5. Das, Kumar B, Cement Industry of India,Ashish Publishing House, New Delhi, 1987, p. 333.

for the tardy growth of the industry. After the review of the working of the regulation and controls on cement the Government decided to decontrol cement with effect from 1st January 1966. All Central and State controls on cement were withdrawn and consequently the systems of allocation by the STC and the issue of permit by state controllers ceased to exist. The CMA established a self regulatory control through an organisation called Cement Allocation and Coordination Organisation (CACO) to handle the problem of distribution of cement throughout the country and to provide for a developmental element in the price to help to meet some part of the costs of the future expansion programmes. The principal function was to ensure supplies of cement to various categories of consumers in different regions.[6]

Subsequent to the recontrol from the beginning of 1968, there was further request from the industry for an upward revision in the ex-work price of cement as a result of increase in cost due to various reasons including Government actions. The matter was examined by the Government once again. Government fixed on 16th April 1969, a uniform ceiling ex-works prices of Rs.100 per tonne inclusive of an

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6. Das, Kumar B., Cement Industry, of India, Ashish Publishing House, New Delhi, 1987, p. 337.

amount of Rs.7.00 per tonne on account of an increase in cost of production as a result of Government action since 1-1-1966. This position continued till 15.9.1973, when the Government as result of the recommendations made in the interim report of Tariff Commission on 24.3.1973, allowed an interim increase of Rs.10.000 per tonne.[7]

In December 1978, the High Level committee of Lavraj Kumar came out with recommendations for a new price structure based on costs prevailing at that time. Accordingly, the Government introduced a three- tier price structure of Rs. 185 Rs.205 and Rs. 220 for low, medium and high cost units respectively and a special price of 296/- per tonne for new undertakings and substantial expansions. These prices were recommended on the basis of 85% capacity utilisation various cost elements and a 12% post-tax return on net worth.[8] Distribution of cement was entirely Government controlled. The requirment of the State Governments were sanctioned directly under the reserved category, and for general public the distribution was done through stockists employed by the state Governments on the basis of permits issued.

Present Policy of Distribution and Price :

After a lot of delay, the Government of India announced a scheme, of partial decontrol with effect from

7. Das, Kumar B., p.340

8. Khothari's Economic and Industrial guide of India, Madras 1982-83, p.5.

February 1982 and introduced dual pricing in cement levy for Government and small house builders (at Rs.33 per bag) and free open market for general consumers at Rs.65 per bag. According to this scheme, cement production in excess of the specified levy quota (66.6 percent of the installed capacity in the case of existing units and 50 percent in the case of new and sick units) can be sold in the open market. The higher retention prices and free sale prices were meant to cover up the rise in costs and help the cement units to generate additional internal resources ; they also help cement units to increase production to derive maximum benefit from open market sales.[9]

The policy of levy quota has since been periodically reviewed and reduced to offer concession to the cement industry. From June 1985 the Government has reduced the levy quota to 60 percent of actual production in the case of old units and 40 percent in the case of new and sick units. Further, in the budget of 1987-88 certain reductions have been made in the levy obligation of cement industry to save them from going sick and improving their profitability. Those cement plants that had come into operation before Ist January 1982 the levy on the sick units had been reduced to 30 percent, while for non-sick units it was reduced to 50 percent. Factories which have commenced their

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9. Dutt, Ruddar &, Indian Economy, S.Chand & Co. New Delhi, Sundaram, K.P.M. , P. 566, 1987 .

commercial production between 1stJanuary 1982 and 31st March 1986 would now pay 30 percent of their production as levy quota, and those units which had expanded their capacities after 1.1.1982 levy quota was same i.e. 30 percent and 15 percent for the later plants.In the present budget of 1989-90 cement industry has been decontrolled by the Government of India, it was declared through an announcement by the Union Finance Minister, Mr. S.B. Chavan.

As regard to levy cement, there is a uniform F.O.R. (Sale) price applicable for the entire country, to which the element of excise duty and packing charges (fixed on quarterly basis) are also added. The present F.O.R. (Sale) price of levy cement is Rs. 532/- per tonne and Rs. 517/- per tonne (excluding exciseduty, and packing charges) in respect of Ordinary Portland Cement / Slag Cement and Pozzolana Portland Cement respectively. However, actual retail prices at different places differ depending on the rate of Local Sales Tax and other local levies.[10] According to the Cement Control Order, 1967, Price of cement is fixed on per tonne basis. Accordingly, a statement showing the prices of levy cement per tonne from 1.1.80 to 31.3.1988, quarterwise, is given below :

10. Cement, October -December, Bombay, 1987-p.42.
The F.O.R. price includes retention price (Cost of production including profit margin)distribution expenses to be allowed to cement producers and an element for all India average freight.

TABLE NO.6

F.O.R. DESTINATION PRICE OF LEVY CEMENT (QUARTERWISE)
ORDINARY PORTLAND

Year	Period	F.O.R.Price of naked cement (per tonne)	Excise duty (per tonne)	Packing charges (per tonne)	Total F.O.R. Price (Rs.)
1980	1.1.80 to 31.3.80	318.94	68.25	66.94	454.13
	1.4.80 to 18.6.80	318.94	68.25	65.53	452.72
	19.6.80 to 30.6.80	318.94	71.50	65.53	455.97
	1.7.80 to 30.9.80	318.94	71.50	64.77	455.21
	1.10.80to 31.12.80	318.94	71.50	62.30	452.74
1981	1.1.81 to 31.3.81	318.94	71.50	62.98	453.42
	1.4.81 to 30.6.81	318.94	71.50	69.01	449.45
	1.7.81 to 30.7.81	318.94	71.50	60.18	450.62
	24.7.81 to 30.9.81	400.85	71.50	60.18	532.61
	1.10.81to 31.12.81	400.85	71.50	63.74	536.01
1982	1.1.82 to 27.2.82	400.85	71.50	63.93 8x9@	536.02
	28.2.82 to 31.3.82	400.00 @	135.00	67.84 8x10	540.19
				63.93 8x9	638.09
				67.84 8x10	642.81
	1.4.82 to 30.6.82	440.00	135.00	61.75 8x9	636.75
				63.57 8x10	640.06
	1.7.82 to 30.9.82	440.00	135.00	66.96 8x9	641.95
				71.10 8x10@	646.10
	1.10.82to 31.12.82	440.00	135.00	76.48	651.46

contd.

Year	Period	F.O.R.Price of naked cement (per tonne)	Exciseduty (Per tonne)	Packing charges (per tonne)	Total F.O.R. Price(Rs.)
1983	1.1.83 to 27.2.83	440.00	135.00	78.88	653.88
	28.2.83 to 31.3.83	440.00	205.00	78.88	723.88
	1.4.83 to 30.6.83	440.00	205.00	77.48	722.48
	1.7.83 to 1.7.83	440.00	205.00	83.96	728.96
	2.7.83 to 30.9.83	492.00	205.00	83.96	780.96
	1.10.83to 31.12.83	492.00	205.00	89.93	786.93
@ Denotes weaving pattern of construction of gunny bags.					
1984	1.1.84 to 31.3.84	492.00	205.00	99.73	796.73
	1.4.84 to 30.6.84	492.00	205.00	108.43	805.47
	1.7.84 to 17.7.84	492.00	205.00	117.47	814.47
	18.7.84 to 30.9.84	532.00	205.00	117.47	854.47
	1.10.84to 31.12.84	532.00	205.00	127.65	864.65
1985	1.1.85 to 16.3.85	532.00	205.00	176.94	913.94
	17.3.85 to 31.3.85	532.00	225.00	176.94	933.94
	1.4.85 to 30.6.85	532.00	225.00	183.29	940.29
	1.7.85 to 30.9.85	532.00	225.00	183.29	940.29
	1.10.85to 31.12.85	532.00	225.00	128.12	885.12
1986	1.1.86 to 31.3.86	532.00	225.00	102.31	859.31
	1.4.86 to 20.6.86	532.00	225.00	88.96	845.98
	1.7.86 to 30.9.86	532.00	225.00	84.10	841.10
	1.10.86to 31.12.86	532.00	225.00	96.99	853.99

Contd.

Year	Period	F.O.R. Price of naked cement (per tonne)	Exciseduty (per tonne)	Packing charges (per tonne)	Total F.O.R. Price (Rs.)
1987	1.1.87 to 31.3.87	532.00	225.00	90.56	847.57
	1.4.87 to 30.6.87	532.00	225.00	95.07	852.07
	1.7.87 to 30.9.87	532.00	225.00	94.42.	851.42
				85.02..	842.02
				84.42...	841.42
	1.10.87to 31.12.87	532.00	225.00	95.85.	852.85
				86.45..	843.45
				85.85...	842.85
1988	1.1.88 to 29.2.88	532.00	225.00	99.98.	856.98
				90.58..	847.50
				89.98...	846.98
	1.3.88 to 31.3.88	532.00	215.25	99.98.	847.23
				90.58..	837.83
				89.98...	837.23

. When pack in Conventional Jute Bags (531 cms).
.. When packed in NCS Light Weight Jute Bags (446 gms).
... When packed in NCB Jute Synthetic Union Bags (416 Cms).

1. Applicable for OPC/PSC w.e.f. 28.2.82 FOR price of PPC and Masonary cement is less by Rs.15 per tonne.
2. The above price is exclusive of Central and State Sales Taxes, Local Levies and margin of profit and local transport expenses etc. as applicable and fixed by the various State Governments/Union Terriotories Administrations.

SOURCE : Cement, Bombay , July -September ,1988, p.35.

Data set out in table No.6 shows that the total F.O.R. (Sales) price of cement went up by more than 84 percent i.e. from Rs. 454.13 pertonne in January 1980 to Rs.837.23 per tonne in March 1988. All this shows that the rate of increase in F.O.R. price of cement per tonne was mainly on account of rise in cost of production, increase in excise duty and packing charges. The above table reveals that price of naked cement has gone up to Rs. 532.00 per tonne in 1988 from Rs.318.94 per tonne in 1980 and excise duty rose to Rs.215 per tonne in 1988 from Rs. 68.25 per tonne in 1980. Total F.O.R. prices of cement per tonne Rs.940.29 which were highest between 1.4.1985 to 30.9.1985, because these prices included excise duty and packing charges which were Rs. 225 per tonne and Rs. 183.29 per tonne respectively and were much higher than other months. The above table also shows that excise duty charges were increasing gradually, but from March 1988 Government had granted some concession to cement producers in terms of excise duty which brought it down to Rs. 215 from Rs. 225 in February 1988. Packing charges were also fluctuating from time to time and they were fixed according to the weaving pattern, size and variety of bags.

As regards to non-levy cement, it is free from price and distribution control and its price is determined

through the operation of market forces from time to time. Further , the open market price of cement is with reference to a bag of 50 kg. Prior to the introduction of scheme of partial decontrol of cement in February. 1982, the entire production of cement was sold as controlled cement and there was no non-levy category. Therefore, a statement showing the price of non-levy cement per bag (including all taxes) as prevalent in the last week of each year Form 1985 to 1987 and first week of August, 1988 in respect of four metropolitan cities is given below.

TABLE No.7

PRICES OF NON-LEVY CEMENT FROM 1985 TO 1988

(Figures in Rupees)

Name of city	1985	1986	1987	1988 (Ist week of August)
Delhi	58 to 62	65 to 67	61 to 62	70 to 75
Calcutta	76 to 78	73 to 74	64 to 66	78 to 82
Bombay	52 to 65	65 to 72	70 to 72	80 to 82
Madras	72 to —	66 to 78	69 to 72	68 to 72

Source : Cement, Bombay, July- September ,1988,p.36.

Delhi, Calcutta, Bombay and Madras during the last week of each year from 1985 to 1988 including all taxes. In Delhi prices of cement had gone up to Rs. 75 in 1988 from Rs. 58 in 1985 ; in Calcutta prices of cement per bag rose to Rs.82 in 1988 as against Rs.76 in 1985; in Bombay prices of cement had increased to Rs.82 in 1988 from Rs.52 in 1985 and in Madras prices of cement fluctuated slightly but remained Rs.72 in 1988 as against Rs.72 in 1985. The table also shows that the highest and lowest prices of cement were recorded in Bombay, which were Rs. 82 per bag in 1988 and Rs.52 per bag in 1985 respectively.

However, the distribution and prices of cement of Churk Cement Factory of Mirzapur were fixed according to the policies of Government, which were changing from time to time. Churk Cement Factory has commenced its production before 1 January 1982.But, with the implementation of policy of partial decontrol this unit was declared as sick unit due to its poor performance. So the supply of cement as a levy quota from February 1982 was 50 per cent of the installed capacity which was reduced to 40 percent of its actual production in June, 1985. Further reductions in levy quota were given by Government to sick units in the

budget of 1988-89. It was reduced to 15 percent as against the 30 per cent in 1987-88. The remaining product of the factory was sold in free market at their own price. Accordingly, table given below provides figures of Gross Sales and Net Sales of Cement from Churk cement factory from 1980-81 to 1987-88, yearwise.

TABLE No.8

GROSS AND NET SALES OF CEMENT BETWEEN 1980-81 TO 1987-88

Year	Gross Sale (Rs. in lakh)	Net sale (Rs. in lakh)
1980-81	1472.09	871.43
1981-82	1619.27	1209.60
1982-83	1792.10	1511.14
1983-84	1834.81	1464.70
1984-85	1732.74	1377.41
1985-86	102.21	92.36
1986-87	565.40	541.69
1987-88	845.16	830.22

SOURCE : Data supplied by the Churk Cement Factory.

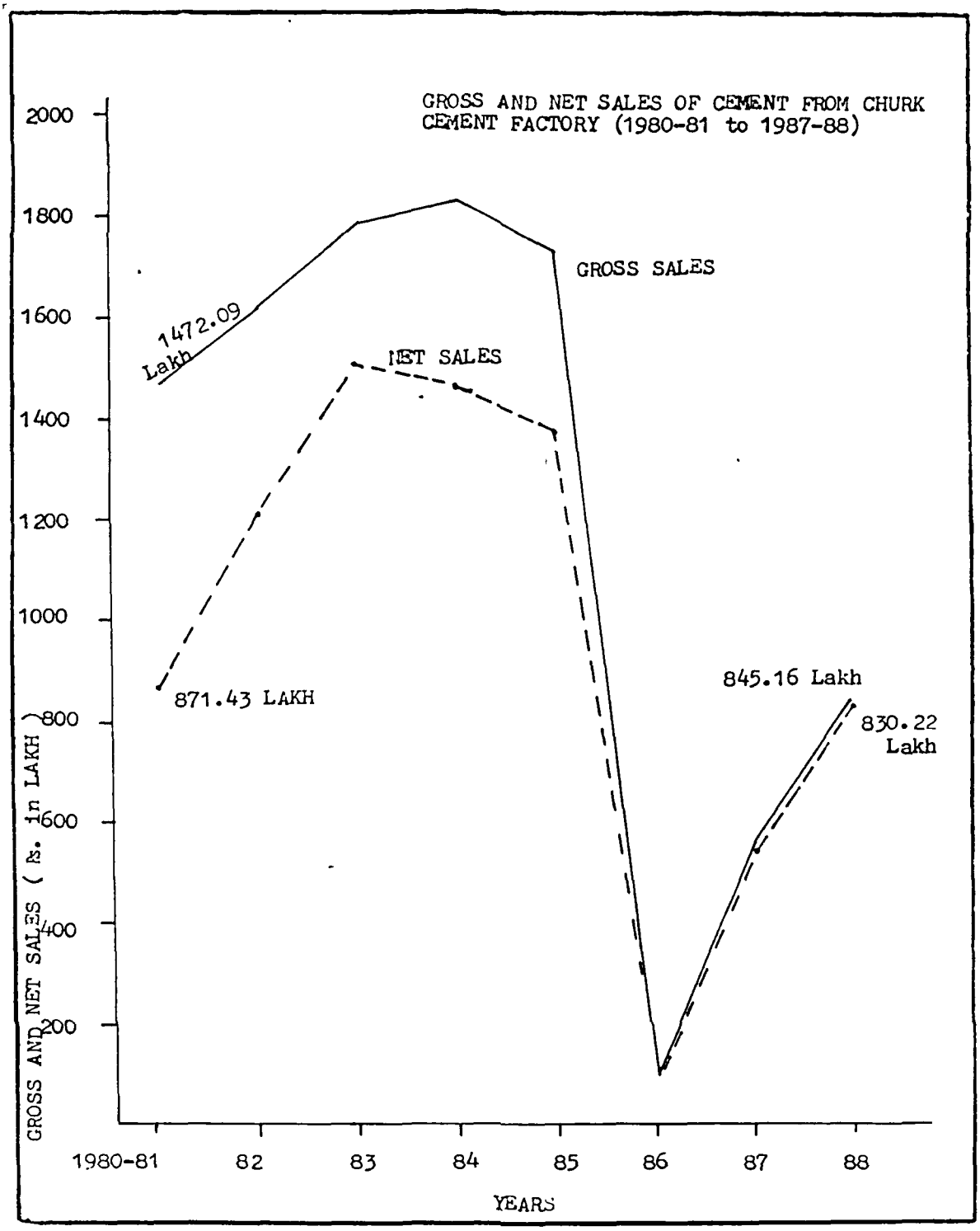
GROSS AND NET SALES OF CEMENT FROM CHURK CEMENT FACTORY (1980-81 to 1987-88)
GROSS SALES
NET SALES
1472.09 Lakh
871.43 LAKH
845.16 Lakh
830.22 Lakh
GROSS AND NET SALES (Rs. in LAKH)
2000
1800
1600
1400
1200
1000
800
600
400
200
1980-81
82
83
84
85
86
87
88
YEARS

FIG. 3

It is evident from the table No.8 and figure that the gross sales of cement from Churk cement factory has declined from Rs. 1472.09 lakh to Rs. 845 .16 lakh during the period of 1980-81 to 1987-88. The decline in gross sales of Rs. 626.93 lakh during this period was mainly on account of poor capacity utilisation in the Factory. The capacity utilisation in Churk unit has gone down to 20.2 per cent in 1987-88 from 63.3 percent in 1980-81. It was due to old production method, i.e. wet process and obsolete machinery in the factory. On the other hand net sales of cement from Churk unit has gone down to Rs.830.22 lakh from Rs.871.43 lakh between 1980-81 to 1987-88. It shows a little difference of Rs. 41.21 lakh during the period, when the gross sales of cement has shown a huge difference of Rs. 626.93 lakh. One of the crucial reasons behind the increase in net sales was the internal policy of management which forced the Churk cement factory to buy some quantity of cement from other units of U.P. State Cement Corporation Limited, and sold it in the open market.

Conclusion:

In the end it can be said that Churk cement factory of Mirzapur was established in 1954 by the Government of U.P. In the early days of its commencement it had shown a good performance, the factory was using about 80 percent of its capacity. But after a period of 34 years from its commencement the machinery and production processes used by the Factory gradually became out dated and the management of Churk cement factory was unable to remove these defects. Due to the mechanical defects and technological constraints capacity utilisation declined to 20 percent in 1987-88 from 80 percent in 1975-76 . As a consequence of low capacity utilisation the factory's gross sales of cement came down to Rs.845.16 lakh in 1987-88 against the gross sales of Rs.1472.09 lakh in 1980-81. Being a public sector unit it has played a significant role to achieve social objectives by providing the employment to a large number of people and numerous facilities to the workers, but it has not fulfilled the economic objectives of accelerating the development of factory as a whole.

C H A P T E R -III

"PROBLEMS OF CHURK CEMENT FACTORY OF MIRZAPUR

"PROBLEMS OF CHURK CEMENT FACTORY OF MIRZAPUR"

Churk cement factory of Mirzapur was established by the Government of U.P. in 1954 and it is about 34 years old. Performance of Churk unit gradually became unsatisfactory both in terms of decline in capacity utilisation from 80 percent in 1975-76 to 20 percent in 1987-88 as well as decrease in production which came down from 3.84 lakh tonnes in 1975-76 to .97 lakh tonne in 1987-88. It was mainly on account of obsolete technology used in factory. The production of cement in Churk unit was possible only after incurring heavy and costly repairs of obsolete machinery and updating existing technology . There were various other reasons responsible for lack-lustre performance of Churk unit. These being uneconomic policy of Government, technological imbalances, infrastructural deficiencies, uneconomic location of plant and inadequate supply of finance.

Prior to the declaration of policy of partial decontrol cement was tied down by severe pricing controls by the Government which had a very deleterious effect on the growth of Churk cement factory. Under this policy Churk cement factory was getting less than half (around 40 percent) of the price paid by the consumer. This amount

was too insufficient to earn a competitive return and to accumulate funds for expansion and renovation of Churk unit. However, the policy of partial decontrol was announced by the Government with effect from 28 February 1982. With the introduction of policy of partial decontrol the distribution of cement was made on the basis of priority and non priority i.e. levy quota (sale of cement under control of Government) and non-levy quota (Free sale of cement in the market). The policy of partial decontrol regarding distribution of cement as between priority and non-priority was also harmful in that it encouraged black marketing.

The major drawback of policy of partial decontrol was that it did not provide better results to the manufacturers on account of rise in cost of production and higher capital cost per tonne of annual capacity and low realisation from levy and non-levy cement. Manufacturing costs have been mounting all the time, due to increase in major input costs namely price of coal, railway freight on coal, power and wages, whereas the hike in retention prices (Payable to the producer for levy cement) were too little.

The coal price went up by 85.9 percent i.e. from Rs.263 in 1981-82 to Rs.489 per tonne in 1986-87 ; power prices had goneup by more than 104 per cent i.e. from 46 paisa per KWH in 1981-82 to 94 paisa per KWH in 1986-87 and total

minimum wages increased by 45.9 percent i.e. from Rs.817.60 per month per man in 1981-82 to Rs.1193.00per month in 1986-87 whereas the retention price of cement increased by only 19.2 percent i.e. from Rs.335.00 in 1981-82 to Rs. 399.50 in 1986-87 [1]. The manufacturing cost in Churk unit was also increasing due to the levy of heavy royalty by the State Government on limestone. The limestone input costs remained around Rs.35 of which Rs.20 can be accounted by royalty, cess etc, which were also increased through the budgetory provisions of the State Government. Thus, royalty, cess etc., accounted for more than 50 percent of the cost of limestone.[2]

Higher increment in capital cost per tonne of annual capacity have also affected the growth of Churk unit. The capital cost per tonne of installed capacity has gone up from an average of around Rs. 1000 during the period 1982-85 to Rs.1400 to 1500 as of now.[3] It was not a healthy sign for the development of Churk factory. Simultaneously, reduction in levy quota for Churk cement factory(being a sick unit)from 40 percent of its actual production in 1986-87 to 30 per cent in 1987-88 were also unable to improve the profitability in Churk factory.

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1. Cement, Bombay, October-December ,1987, p.13.
2. The Hindu, Survey of Indian Industry, Madras,1987,p.271.
3. Monthly commentry, New Delhi, March, 1987 , p.18.

However, the dual pricing policy did not compensate the Churk cement factory to improve its profitability due to losses sustained on the disposal of levy cement. Thus, the levy prices were always lower than the average cost of production.

The reduction in levy obligation granted by the Government from time to time failed to make the desired impact as the prices of non-leavy cement declined in most markets with the abundant availability of cement.[4] In 1983, the non-levy retail price of cement was Rs. 60.78 per bag of 50 kg. After 5 years today, cement is available in most of the places at less than Rs.60 per bag. Even if one considers the general inflation of 8 to 9 percent per annum, the open market prices today should have been of the order of Rs.88/90 as against Rs.60 in 1982. Cement is perhaps the only consumer product for which there had been no increase in price for over five years.[5]

However, in the light of steadily rise in cost of production, at the CMA's (Cement Manufacturers' Association) recent silver jubilee meeting , Mr. J.R. Birla, the president of CMA has pointed out that owing to the unreasonably low

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4.Cement ,Bombay, October-December,1987,p.12.
5.The Hindu,Survey of Indian Industry, Madras, 1986, p.271.

price of levy cement and the dwindling margin from the sale of non-levy cement, the gross profit per tonne of cement, after interest, has come down from Rs. 120 in 1982-83 to Rs.85 in 1983-84 to Rs.60 in 1984-85 and to less than Rs.50 in 1985-86. During 1986-87, profits have been eroded further to the extent that most ofthe units, barring a few, are unable to cover even depreciation cost.[6]

Thus, with the huge rise in cost of production, continuous increment in excise duty from Rs.71.50 in 1981-82 to Rs.225 in 1987-88 and low return of retention price per tonne have severely affected the profitability of Churk unit. The Churk cement factory was incurring heavy losses during the period under review. Table given below provides the figures of netprofit/ net loss accumulated by Churk cement factory from 1980-81 to 1987-88.

TABLE No.9

NET PROFIT/NET LOSS OF CHURK CEMENT FACTORY FROM 1980-81 TO 1987-88

Year	Amount (Rs.)
1980-81	(-)178,88,896.00
1981-82	(-) 47,55,070.00
1982-83	(+)163,89,183.00
1983-84	(-)129,75,599.00
1984-85	(-)154,89,579.00
1985-86	(-)1,74,519.00
1986-87	(-) 3,12,615.00
1987-88	(-)159,59,877.00

SOURCE :Data Supplied by the Churk Cement Factory
+ denotes profit, - denotes loss.

6. Monthly Commentary, New Delhi, ,March,1987,p.18.

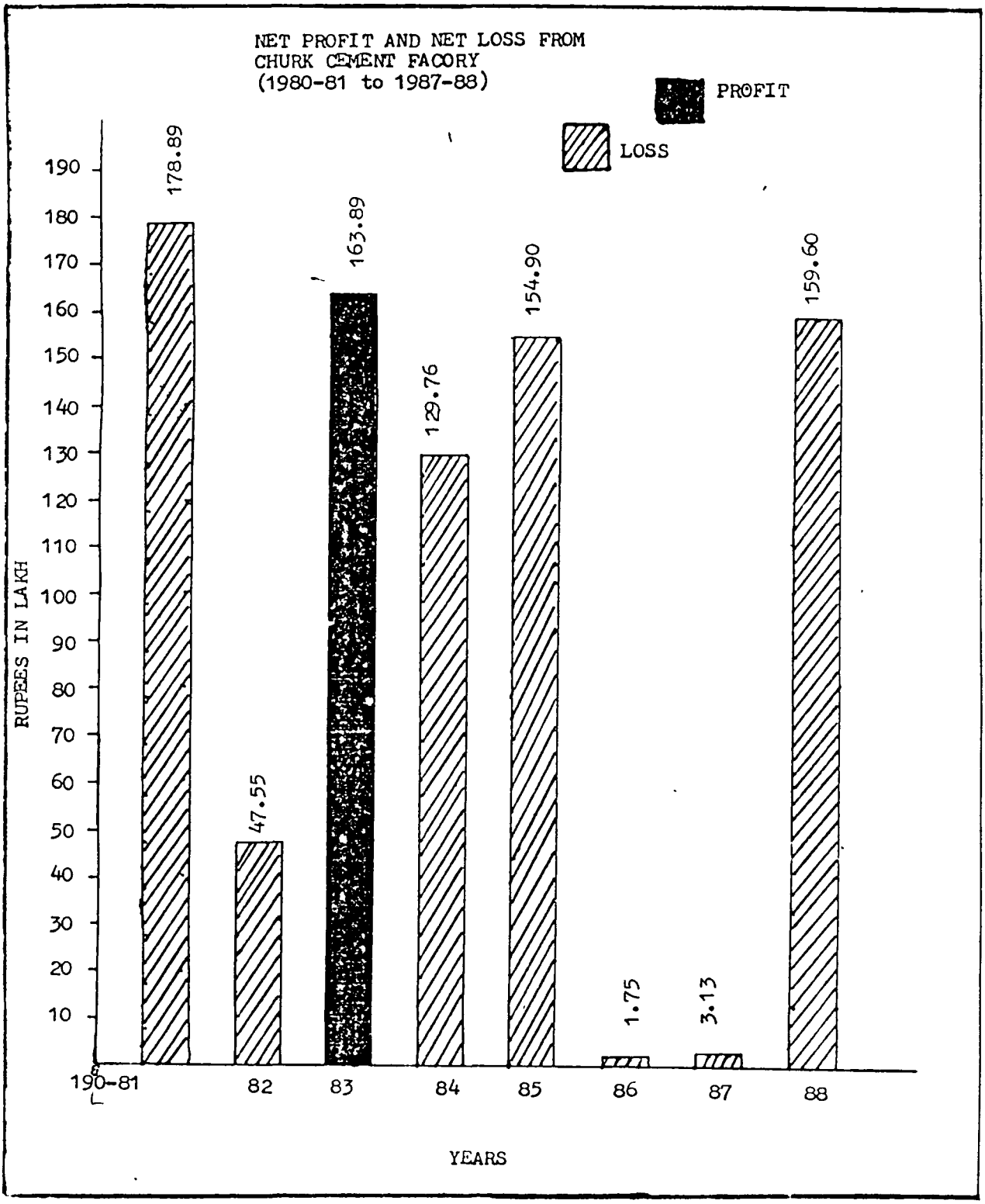
NET PROFIT AND NET LOSS FROM
CHURK CEMENT FACORY
(1980-81 to 1987-88)
PROFIT
LOSS
RUPEES IN LAKH
190
180
170
160
150
140
130
120
110
100
90
80
70
60
50
40
30
20
10
178.89
47.55
163.89
129.76
154.90
1.75
3.13
159.60
1980-81
82
83
84
85
86
87
88
YEARS

FIG. 4

It is apparent from the above table No.9 and figure that during the period between 1980-81 to 1987-88 the Churk cement factory was incurring losses except for the period 1982-83 when it recorded net profit of Rs. 163,89,183.00. These losses were due to poor capacity utilization in the factory, continuous hike in cost of production steady rise in excise duty and low return of retention price per tonne and various infrastructural deficiencies. As a result productivity was too much unsatisfactory in the Churk cement factory during the period under rivew.

Management occupies a crucial position in an enterprise, which plays a key role in the enhancement of higher productivity. The productivity as one of the management concepts has become very popular in recent times. The productivity concepts involve the full and efficient utilisation of available resources like men, money, machines and materials. In order to coordinate the functioning by putting these 4 Ms, i.e. men, money, machines and materials the management faces great responsibility upon its shoulders. The management of Churk cement factory was unable to enhance the productivity in the factory on account of obsolete machinery. There was no full, proper and efficient utilization of the installed capacity. Capacity utilization in the factory declined to 20.2 percent in 1987-88 from 80.0 percent in 1975-76.

Because of the defective pricing policy of Government, and impact of inflation, the management of Churk cement factory was unable to undertake the task of replacement of obsolete machinery and equipment. In India around 40 percent of total cement's production continues to come from the relatively obsolete wet process and the cement industry has not been able to convert existing wet process kilns to dry process to any significant degree,[7] Churk cement plant was using the wet process technology for manufacturing the cement since its inception i.e. from 1954, which is less remunerative compared to the modern and efficient dry process. The main disadvantage of the wet process was high fuel consumption, where as in dry process reduction in fuel consumption is by about 30 per cent. However, during the period under review i.e from 1975-76 to 1987-88, the production of cement in Churk unit has steadily declined over the years, indicating an over all decline of about 75 per-cent during the period. Thus, with the objective of improvement in production and productivity in the factory there was an urgent need of overhauling of machinery, and replacement of wet process to dry process technology.

Development of a cement factory depends upon three most important segments of infrastructure ; Power, Coal and Rail Transport and these are controlled by the Government and the Government was not providing adequate infrastructural facilities according to the requirements of Churk cement factory.

1. Misra, S.K.& Puri, V.K., Indian Economy, Himalaya Publishing House, Bombay, 1987, p.718.

Power was the biggest cause of low production in Churk unit. Though the overall supply of power in the country has been improved yet in Churk cement factory at Mirzapur the supply of power was very unsatisfactory. There have been power cuts of varying degrees both scheduled and unscheduled. Frequent interruptions and voltage fluctuations in Churk unit were mainly responsible for its poor performance and specially at that time when there was an urgent need of improved quality of power for increasing the production. In 1983-84 there was more than 50 percent power cut in Churk unit.[8]

In order to minimise the uncertainity of power cuts, the Government has encouraged the industry to set up captive power plants so that at least 40 percent of the power requirements are met by captive generation both diesel and thermal. But the power generated by the captive sets is very expansive and only becomes economical if concessions are provided.[9] Since costly power produces a costly product, this costly product automatically affect the profitability of cement unit. Its huge cost was the only reason that Churk unit did not offer the captive power plant during the period under review.

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8. Annual Report, U.P. State Corporation Ltd., Churk, Mirzapur, 1983-84 .
9. The Hindu, Survey of Indian Industry, Madras, 1985 p.243.

Coal is required in huge quantity for manufacturing the cement as a raw material as well as a source of power. The coal-fields are concentrated at a few places like Bihar and West Behgal, which requires huge transportation cost for reaching the coal to Churk unit. Coal prices have increased by over 40 percent and railway freight on coal increased by about 109 percent on wagon loads and about 90 percent on train loads between 1982 to 1986 . There have been marked deterioration in the quality of coal also. The worse quality of coal supply and continuous increase in prices of coal as well as freight charges, were the major hurdles which have affected the cost of production in Churk unit.

Transport bottlenecks was the crucial problem faced by the Churk cement factory, whereas, rail transport plays a significant role in development of industrial sector of economy. Approximately 70 percent of cement was carried by the railway in certain years but later, the railway department did not provide sufficient facilities to Churk unit and about 40 percent of finished product was moved by road transport due to shortage of wagons. The factory does its best to maintain despatches by resorting to road transport even over long distances at extra cost, this extra cost was imposing additional burden on the manufacturer, which was affecting the cost structure of cement in factory.

Thus, the Churk cement factory is in urgent need of adequate infrastructural facilities in order to raise the productivity and profitability, Government should take immediate steps to remove the infrastructural deficiencies.

The success of a business undertaking very much depends upon the locational factor , but the majority of cement plants in the country from the locational point of view are uneconomic. They are located at points separated by large distances from high grade limestone, coal and gypsum deposits. However, Churk cement factory was concentrated near the place of principal raw material (limestone). Only from the point of view of coal and gypsum supply it was far away. Supply of coal and gypsum were made from Bihar and Rajasthan. The supply of these raw materials through long transportation and huge freight charges were affecting the cost of the product in factory.

From the marketing point of view, the Churk unit was not effectively located. The area covered by Churk cement factory from the marketing point of view is Uttar Pradesh. Its production was proving very costly to the markets of Eastern and Western Uttar Pradesh where the

factory has built the stockists, due to continuous hike in freight charges. Supply of cement sometimes was disturbed due to transport bottlenecks. The product of Churk cement factory was facing a vigorous competition with the product of Madhya Pradesh 's factories. The competitors were supply-ing the cement at cheap rate in those districts which were located near the border areas of Uttar Pradesh and Madhya Pradesh.

Finance in a business undertaking plays a key role. Inadequate supply of finance in a business undertaking reveals several defects and unsatisfactory functioning. Being a public undertaking the objectives of Churk cement factory are to earn profit on one hand, and render the services to society on the other. Thus, in order to fulfil the socio-economic objectives there was need of huge finance for the growth and development of Churk cement factory.

Churk cement factory is a unit of U.P. State Cement Corporation Ltd. (A.U.P. Government Undertaking), the authorised capital of the Corporation as on 31.3.1987 was Rs.80 crores. There was no separate authorised capital of Churk unit. The paid up and subscribed equity capital of U.P. State Cement Corporation Ltd. as on 4.4.1987 was Rs.61,53,16,000 divided into 61,53,160 shares of Rs.100 each ,which was not sufficient to cope up with the full requirements of

all three units of this corporation i.e. Churk, Chunar & Dalla. Due to lack of finance U.P. State Cement Corporation Ltd. was running in losses. The loss in Corporation for the year 1986-87 was Rs. 1684.20lakh against the loss of Rs. 557.39 lakh for the year 1985-86. On account of continuous losses , Corporation was unable to provide financial assistance to Churk unit for providing the various welfare facilities to the employees, for replacing the old wet process technology to modern dry process and for repairing and overhauling the obsolete machinery in factory.

Cement industry circles have been complaining that the industry is in the throes of a serious crisis. They claim that the market price has come down since the days of partial decontrol and is no longer remunerative.In levy supplies, the industry is subsidising the consumers; mainly the Government and its departments. Levy prices do not cover even depreciation and interest, not to speak of return on capital. The non-levy price is not adequate to pay interest and depreciation on higher investments .Older units, burdened with obsolete technology and larger manpower, are growing sick and will become worse ; and hence, no new investment will be attracted to the industry. Though the Government had been pitching the target at around 100 million tonnes by the turn of the century, this will not materialise with the continuance of the present trends.[10]

10. The Hindu Survey of Indian Industries, Madras, 1987,p.271.

However, a proposal was submitted by cement industry, soon after its annual meeting in May 1987 to the Government, the industry renewed its demand for total decontrol.The reason for total decontrol were :-

i) Sharp increase in the cost of production of cement owing to heavy investment on installation of captive power sets, and power generation, fall in quality of coal, steep rise in stores and spares cost, increase or imposition of sales tax and general rise in overheads,

ii) Large availability of Cement, reducing price of non-levy cement and units sales realisation.[11]

The proposal for total decontrol of the cement industry was approved by the Industry Ministry and the Secretaries Committee. However, the Cabinet Committee on Economic Affairs disfavoured the proposal till 1990. So it can be said that total decontrol was the urgent need of cement industry for their well being, for improving their efficiency, increment in production capacity as well as improvement in profitability in order to generate internal finance.

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11. Financial Express , New Delhi , July 30, 1987 , p.1

Conclusion:

From the above discussion it may be observed that Churk cement factory of Mirzapur has been facing so many problems. The basic problem of the factory was that it was using wet process kiln for manufacturing the cement, when there was an urgent need to replace it by dry process. Inadequate infrastructural facilities like power, coal and rail transport were the major constraints which have affected the productivity in Churk cement factory. Due to poor supply of finance and huge rise in cost of production and low return of retention prices, the profitability has been eroded in the factory. The factory was incurring losses continuously. According to Cement Manufacturers' Association, most of the cement units in the country barring a few are unable to cover even depreciation cost. Churk cement factory of Mirzapur is no exception. It also needs drastic changes with a view to make it a viable unit.

C H A P T E R- IV

PROSPECTS OF CHURK CEMENT FACTORY OF MIRZAPUR

"PROSPECTS OF CHURCK CEMENT FACTORY OF MIRZAPUR"

Despite the gloomy performance of Churk cement factory of Mirzapur in terms of decline in capacity utilization from 80 percent in 1975-76 to 20 percent in 1987-88, soar increase in cost of production, heavy investment in modernization and low realisation from levy and non levy cement has not been affected adversely the future growth of the factory. Churk cement factory has been facing the crucial problem of large scale obsoleteness of its plant and machinery because it is about 34 years old. There is, therefore, very vast scope for modernization and expansion of Churk unit.

The term modernisation implies, use of modern and advanced technology to ensure rise in productivity, improvement in quality and the reduction in cost of inputs to the maximum extent possible. The Government had also laid much emphasis on modernisation and upgradation of technology. The Planning Commission in its approach paper of the Seventh Plan, has observed that "the focus of industrial development in the Seventh Plan will be on upgradation of technology, modernisation, better utilisation of assets and promotion of efficiency. The Plan paper has also added that cement industry requires a major programme of modernisation and technological upgradation for continued

efficiency, sustained economic growth and for introducing energy saving, cost effective and modern production technique.[1]

Inspite of poor performance of cement industry. India is an economic producer of cement in the world. According to a survey of World Bank ; India continues to be an economic producer of cement despite steadily soaring capital cost of new installations and fuel and power costs. For instance, the 1985 investment cost of a one-kiln plant of one million tonne per year capacity is estimated between US $ 90 and US $ 120 per annual tonne of cement in India, compared to about US $ 170 to US $ 200 abroad.[2] Operating costs of cement in India was also low because coal prices were relatively low in comparison to oil prices in Europe. Oil was used by many cement units in European countries as a source of energy. Labour charges were also low as compared to these countries. Wherever, the cement units which were older, and specially those units which have adopted wet process like Churk cement factory of Mirzapur, where average operating costs were high, this gain was eroded. Thus, with a view to increase the productivity and to reduce the operati-ng costs, the modernisation of Churk

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1. Commerce, Bombay, January , 3-9, 1987, p.16.

2. Monthly Commentary, New Delhi , March ,1987,p.18.

cement factory was necessary. Therefore, various measures and positive steps have been taken by U.P. State Cement Corporation Ltd. for comprehensive modernisation and technological upgradation in order to improve productivity and profitability in Churk cement factory.

The modernisation and technological upgradation programme of Churk cement factory covers, conversion from wet process to dry process, introduction of modern and updated technology in the factory as well as modernisation of quarry operation, crushing and grinding, material handling etc.

A scheme for modernisation is being implemented with M/s Hotelec. This scheme envisages a capital investment of Rs.365 lakh . For a part of the scheme relating to partial mechanisation and modernisation of Ghurma quarry of Churk unit the IDBI and IFCI have sanctioned a total term loan of Rs.121 lakhs.

The U.P. State Cement Corporation Ltd. has also undertaken a plan to modernise the old Churk unit and replace the old wet process kilns by modern dry process kilns. The 4 wet process kilns (1200 TPD) of Churk factory are proposed to be replaced by a single dry process kiln of 1400/ 1500 TPD at an estimated investment of Rs.35 crores. Global tenders for the above have been invited and M/s DCPL have been appointed

as a consulatant, for the above project. This work is in progress. This scheme is proposed to be financed out of internal generations and assistance from financial institutions.

A detailed mining plan has also been worked out preclude to installation of dry proces kiln so as to ensure availability of adequate quality and quantity of limestone. Modernisation of the quarry of Churk unit located at Ghurma is nearing completion. Both these schemes, on completion will significantly improve the economy of the old Churk unit.

The Government have also been advising the cement industry to make appropriate technological changes to reduce energy consumption and manufacturing costs. As the consumption of energy in the dry process cement plant is much less than that in a wet process cement plant, Government have been encouraging conversion of old wet process plant into dry process ones.[3]

After completing the work of replacement of wet process by dry process in Churk cement factory, the problem of energy will also be sloved because this modern process requires about 70% of energy than wet process. It will improve the productivity and profitability both.

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3. Cement, Bombay, October-December ,1987,p.42.

Market is a decisive factor for the smooth growth of a cement factory. Factories of Madhya Pradesh were the main competitor of Churk cement factory in the market of Uttar Pradesh and Madhya Pradesh as well as in the market of other states. Now, a market survey of Assam, Arunachal Pradesh, Nagaland and Madhya Pradesh has been completed by factory and it was found that there is a huge demand of U.P. Cement in these states. The product of Churk factory is known as U.P. Cement in the market. There is already a good market of U.P. Cement in Nepal also. It is hoped that after completing the task of modernisation and upgradation of technology in Churk unit, it will be in a position to capture the market in Assam, Arunachal Pradesh and Madhya Pradesh. Churk cement factory will aslo earn a huge amount of foreign exchange by exporting its product to Nepal in the years to come.

The shortage of wagons is a formidable problem which disrupts the movement of cement from Churk cement factory. Now, for solving the difficulties of railway wagons, recently, the Government of India announced a scheme under which wagons could be owned by the cement units.[4] In order to meet the problem of coal efficiently, there is a plan to utilise natural

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4. The Hindu, Survey of Indian Industries, Madras, 1985,p.243.

gas in cement industry, as a substitute for coal. The National Council for Cement and Building Materials (NCB) has just completed a study which concludes that increasing availability of natural gas in different areas of the country in future and its emergance as an important alternative energy source held out possibilities of its use in several cement plants. Cement plants in the Soviet Union and Pakistan are already using natural gas as fuel.[5] In India, coal is used as a principal source of energy in cement industry. In the early seventies when oil was easily available at cheap rate, cement industry had used it as a source of energy. But later the prices of oil increased gradually. With the steep rise in prices of oil in 1973, the attention was diverted to coal as a source of fuel in cement industry.

According to the NCB study there are several advantage of using natural gas in place of coal with high ash content as fuel in rotary kilns. For instance, there is total freedom from ash contamination and hence there is scope for exploiting marginal grade limestones. Again there will be a very small increase in cost due to the need for addition of Siliceous material (clay) to compensate for the ash from coal, which is absorbed in the cement clinkers.[6]

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5. Financial Express, New Delhi, May 1, 1988,p.1.
6. Ibid.

Churk cement factory was facing a crucial problem of continuous rise in cost of production. Thus, in order to compensate for cost escalation due to increase in the coal price, power, higher wages, the Government allowed an increase of Rs.40/- per tonne in retention price (payable to cement producer) of levy cement on 18 July 1984 from Rs.335 to Rs.375 per tonne. Further, retention price has been increased by Rs. 24.50 per tonne with effect from 15.12. 1986, it rose to Rs.399.50 from Rs.375 per tonne. Again retention price has been increased by Government w.e.f. 7.9.1988 by Rs.47/- per tonne, it has gone up from Rs.399.50 per tonne to 446.50 per tonne. Excise duty has been decreased from Rs.225/- per tonne in 1987-88 to Rs. 205/-per tonne in 1988-89. Contribution by Churk cement factory to the Cement Regulation Account at the rate of Rs.9/- per tonne of production of non-levy cement has been discontinued with effect from 15th December 1986.[7] These steps were taken by Govenment for increasing the productivity and improving the profitability of cement units in the country.

Jute bags have been traditionally used in our country for packing cement for both levy and non-levy purposes. Under the provision of Jute Packaging Materials (Compulsory Use in Packing Commodities) Act, 1987,70 % of entire production of cement is now required to be packed in Jute Packaging material.

7. The Cement Control Order,1967,provides for maintenance of an account known as 'Cement Regulation Account' which has been in operation since Ist January,1968. This account was created to serve as a vehicle, for making available cement at fair prices in all parts of the country and to ensure its equitable distribution in terms of Cement Control Order 1967. (Cement, Bombay, July-September , 1987,p.40).

The remaining 30% production of cement can be packed in other packaging material including paper bags.[8]

In March 1987 the CMA had submitted a representation to the Ministry expressing concern on the proposal of Government to make the Legislation for mandatory use of Jute packaging. It was strongly expressed that the industry can not use jute bags in this high proportion of 70 percent without sacrificing consumers interest. Under the circumstances the representation strongly urged Government that cement industry should be exempted from the mandatory use of gunny bags. Alternatively, mandatory use of gunny bags should be minimised to the extent of levy obligation. In other words the non-levy cement should be allowed to be packed in any packaging materials depending upon the choice of consumer.[9]

If the above representation is accepted by the Government the cement units as well as Churk cement unit will be free to pack its product in a very low cost against the packaging in jute bags. Because Jute bags not only create heavy cost of the product but being an agricultural based product its availability is subject to the climate and nature. The price of this material also escalate abnormally

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8. Cement ,Bombay, October-December, 1987,p.45.

9. Cement, Bombay, April - June 1987,p.IV.

due to the shortage of raw jute.

It is also pertinent to mention here that paper bags are much suitable than Jute bags because there is no loss of cement in paper bags, while in Jute bags there is loss of cement at the time of loading, unloading and stacking etc.

Due to the shortage of cement it had become necessary for the Government to impose price and distribution control over cement right in 1942. The price control was relaxed for a short period of two years i.e. 1966 and 1967 but because of complaints of mal distribution etc. The Government was once again forced to impose control from 15 January 1968. In order to give impetus for establishment of new units/expansion, the Government announced in 1977, a liberal policy assuring the cement industry of 12 percent post-tax return on networth.[10]

Further with the introduction of present policy of partial decontrol in February 1982 huge investments were made for setting up of a large number of cement factories in the country. Adequate generation of finance through internal resources by the existing units allowed them to expand their capacities and modernisation of old units was possible only

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10. Cement , Bombay, July-September, 1987,p.9.

after the implementation of dual pricing policy. In the beginning of present policy there was acute shortage of cement in the country. Thus, the levy quota was based on capacity of the unit and not on actual production which was 66.6 percent. However, the manufacturers were seriously affected and they were unable to achieve a satisfactory operating ratio. But later the policy was changed and the levy quota moved to actual production of factory against the capacity in order to improve the productivity and profitability in cement industry.

Since the announcement of policy of partial decontrol, Government had given various concessions to Churk cement factory (being a sick unit) and other cement units in the country in terms of reduction in levy quota for raising their profitability. The present policy had also been reviewed and changed from time to time. Further, in the budget of 1988-89 certain reductions were announced by the Government of India in the levy obligation of cement units to save them from going sick and provide further momentum for the progress of cement industry. Government of India declared that the cement units which have commenced production before 1982, the levy quota on the sick units has been reduced to 15 percent from 30 percent of the actual production, while for the non-sick units the reduction is 30 percent from 50 percent in 1987-88. Factories which

commenced their production some times prior to 1.1.1982 but were deemed to have commenced commercial production on or after 1.1.1982 should now pay 20 percent of their production as levy as against 30 percent. Similar reduction has been given for cement factories which had expanded their capacities after 1.1.1982.

The policy of partial decontrol saw the setting up of a large number of cement units in the country during the period of 1981-82 to 1987-88. Sufficient internal generation of finance by the existing units allowed them to expand their capacity and also to undertake the task of modernisation. Installed capacity of cement industry increased from 3.3 million tonnes in 1950-51 to 29.2 million tonnes in 1981-82 and there was a quantum jump in installed capacity with the introduction of this policy which has gone up to 54 million tonnes in 1987-88. When the cement industry was controlled by the Government, tnere was a little growth in installed capacity , which had increased by 25.9 million tonnes within a period of about 32 years i.e. from 1950-51 to 1981-82 indicating an average increment in installed capacity by·81 million tonne per annum. When the industry was partially decontrolled installed capacity rose by 24.8

million tonnes within a period of about 6 years i.e. from 1982-83 to 1987-88, indicating an average rise in installed capacity by 4.1 million tonnes per annum.

However, in the light of present progress of cement industry after the implementation of policy of partial decontrol and on the basis of many proposals submitted by the industry from time to time, the Union Finance Minister, Mr. S.B.Chavan declared decontrol of cement industry through an announcement in the budget of 1989-90. It is hoped, with the introduction of total decontrol policy there will be improvement in installed capacity . The production,productivity, profitability as well as customer services are also expected to be affected in industry's favour. The policy will also improve the efficiency of Churk cement factory which has been facing huge amount of losses during the period under review.

CONCLUSION :

To conclude it may be said that despite the poor performance of Churk cement factory, there is a bright future of its growth and development. With a view to increase the productivity in factory various rehabilitation and modernisation programmes have been implemented by

U.P. State Cement Corporation Ltd. The Government has also encouraged the Churk cement unit to cope up with the infrastructural deficiencies by providing capative diesel generating sets and natural gas to be used in place of coal to meet the power crisis, and supply of wagons to cement unit for meeting the difficulty of rail transport. It is also expected that the policy of total decontrol of cement industry will give impetus for growth and development to old and sick units in the country.

CHAPTER - V

SUMMARY AND SUGGESTIONS

SUMMARY AND SUGGESTIONS

To sum up the foregoing discussion it has been broughtout that cement is of crucial importance to the economy of a developing country like India. Cement, the mirror of modern civilization was invented by Joseph Aspidin in 1824. Housing is one of the largest sectors of cement consumption. Cement accounts for about 15 percent of the investment in housing[1]. However, the era of cement making on modern lines in India commenced only during the beginning of present century. The first cement factory started production of cement in 1914 with an installed capacity of 1000 tonnes per annum at porbandar in Gujrat. On the occasion of independence there were 19 cement factories with an annual capacity of 22 lakh tonnes in India.

During post independence period, India adopted the principle of planned economic development of country. Planning system gave an impetus to the growth and development of cement industry in India. Cement industry has been especially accelerated since the introduction of policy of partial decontrol in February 1982. Before the implementation of this policy cement industry was tied down by severe pricing control upon itself, which had a very deleterious effect on its growth.

1. Commerce, Bombay, September 5-11, 1987, p. 3.

Partial decontrol introduced in February 1982 provided a much needed boost to the cement industry's overall expansion. During the short period of five years ending 1986-87 cement industry added more than 25 million tonnes of fresh capacity against 23 million tonnes added during the preceding three decades (1951-52 to 1981-82). The capacity at the end of 1986-87 stood at 52 million tonnes. Similarly production increased from 21.1 million tonnes in 1981-82 to 36.5 million tonnes in 1986-87 or at the average annual rate of 11.6 percent per annum (as against the growth rate of 7.1 percent per annum for the overall industrial production during the same period) when compared with the growth rate of 6.4 percent during the preceding three decades.[2] On account of rise in installed capacity as well as increase in production, India has become the sixth largest producer of cement in the world. Today, cement industry occupies a dominant position in the industrial sector of India and it is in a position to meet the whole demand of cement in the country. It is also expected that cement industry will produce an exportable surplus in the years to come. Cement industry has also greatly contributed in attaining the socio-economic objectives by providing the employment opportunity to about 1 lakh persons directly and contributing a considerable share in Gross National Product indirectly.

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2. Commerce, Bombay, September 5-11, 1987, p. 3.

The unique feature of the cement industry is that it is dominated by the private sector which accounts for four-fifths of the installed capacity as well as production of cement in the country. Public Sector plants together account for one-fifth of the total cement production in the country. The first public sector unit (a State Government owned) was established by the Government of U.P. at Churk in district Mirzapur in 1954.

The Churk Cement factory was formed to accomplish the task of exploiting the natural resource i.e. limestone which was available in huge quantity in Ghurma quarry at district Mirzapur. Upto 31st March 1972 Churk cement factory was working as a unit of Industrial Department of U.P. Government, but since 1 April 1972 this is working under the supervision of U.P. State Cement Corporation Ltd., which has two more units in the district of Mirzapur one at Dalla & another at Chunar. These units are individually controlled by the General Managers, who are mostly civil servants. The Churk cement factory provides employment to about 1,333 persons.

The installed capacity of Churk cement factory was 4,80,000 metric tonnes per annum. The factory has made the efforts to achieve a satisfactory results during the period under review, but the production of cement in Churk unit was unsatisfactory due to the old production methods and obso-

leteness of machinery. There were ~~various~~ mechanical defects and technical constraints which were also responsible for gloomy performance and poor capacity utilisation in Churk cement factory. On account of these defects capacity utilisation in factory declined to 20 percent in 1987-88 from 80 percent in 1975-76. As a consequence of poor capacity utilisation in Churk unit, gross sales of cement had gone down to Rs. 845.16 lakh in 1987-88, against the gross sales of Rs. 1472.09 lakh in 1980-81, indicating a decline of Rs. 626.93 lakh during the period of about 8 years.

During the period under review Churk cement factory was engaged in many problems like; old production process, inadequate supply of infrastructure, lack of finance and various mechanical and technological constraints. These drawbacks were the major hurdles which had affected the productivity of Churk unit. There is an urgent need to remove these drawbacks. On account of continuous increase in major input costs and low realisation from levy and non levy cement the profitability has been eroded in Churk cement factory. The coal price went up by 85.9 percent, power prices had gone up by more than 104 percent and total minimum wages increased by 45.9 percent, where as the retention price (payable to producer for levy cement) increased by only 19.2 percent within a period of six years i.e. from 1981-82 to 1986-87. On the other hand, due to the reduction in levy obligation from time to time created abundant

supply of cement in the open market. In 1982, retail price of non-levy cement was Rs. 60 per bag of 50 kg. as against less than Rs. 60 per bag in most of the places in 1987. Even if one considers the general inflation of 8 to 9 percent per annum, the open market price of cement should not have been less than Rs. 88/ 90 per bag as against Rs. 60 in 1982. Thus, in order to overcome the several problems of Churk cement factory as well as other sick units in the country, Government has announced the decontrol of cement industry in the recent budget of 1989-90 for improving their profitability. Various steps have also been taken by U.P. State Cement Corporation Ltd. to enhance the productivity in Churk cement factory by a replacement of 4 old wet process kilns by a single dry process kiln in the years to come. Corporation has also undertaken the task of modernisation of machinery in Churk unit as well as it has introduced an updated technology in Ghurma quarry.

It can be concluded that Churk cement factory of Mirzapur was engaged in many problems during the years under review. Out-dated technology, infrastructural problems and inadequate supply of finance were the major constraints which were responsible for the poor performance of the factory. It is unfortunate that the U.P. State Cement Corporation Ltd. has not under taken the immediate steps to remove these drawbacks of the factory.

It is, therefore, suggested that wet process kilns used by the Churk cement factory for manufacturing the cement should be replaced by the dry process as soon as possible, Obsolete machinery and outdated technology in factory and crushing plant should be changed by modern one in order to augment the productivity in factory. With the conversion of production process installed capacity should also be expanded for facilitating more production of cement. Dry process will be more helpful because there is a saving of about 30% of fuel consumption as compared to wet process.

The Churk cement factory has been severly affected by the inadequate facilities of infrastructure like shortage of coal, power, and rail transport. Coal is used as a principal source of energy in Cement units. Thus, to meet the problem of coal natural gas should be used by the factory in place of coal, or for meeting the difficulty of power, factory should establish the captive DG sets as soon as possible. Government has also advised to install captive power plants to meet about 40 percent of their power requirements. Mostly cement units have installed captive power plants which were concentrated in power deficit states to over-come adverse effect on profitability. Certain reliefs have also been allowed in levy quota by the government to overcome the additional cost involved in generation of power from the captive DG sets. To meet the

requirements of railway wagons factory should purchase its own wagons through internal resources.

Labour is recognised as a separate factor of production, thus workers welfare should be considered as joint responsibility of employers, state and trade unions. In Churk cement factory several guidelines have been chalked out for welfare of workers but still there is a great need for improving the welfare activities for the workers like cheap grain shops, better education facilities, properly organised creches in hospitals, sports and recreation clubs etc.

The management of Churk cement factory should take the responsibility of immediate developmental programmes like modernisation and rehabilitation works and arrangement of infrastructural facilities. For these investments, factory should generate the finance through internal resources, because resources needed for public sector investment can not always be met from the Government budget. In the initial stages of development, the budget was correctly seen as the principal source of investment funds for the public sector but when an undertaking has developed, it should create internal resources for its further development.

Management in Churk cement factory should be result oriented, which should be capable of increasing the production, improving the quality of product and lowering the cost of

production. Result oriented management will increase the profitability and productivity both. Mostly public enterprises are characterised by over crowding of personnel. So, the management should take the tough steps to remove them, because time and again it has been felt that there was overstaffing in Churk cement factory too.

In order to prevent sickness and encouraging expansion in Churk cement factory there will be need for huge finances. For these developmental programmes the financial institutions like IDBI, IFCI and other commercial banks should provide concessional rate loan to this old and sick unit for modernisation and rehabilitation works. Being a unit of U.P. Government, it should provide some special assistance for the immediate removal of obsolete technology.

Prior to introduction of policy of partial decontrol, Cement industry was controlled by the Government. With the introduction of policy of partial decontrol in February 1982 cement industry in India has developed rapidly. Now, dual pricing policy has also been removed by the Government. Policy of partial decontrol was framed by Government to fulfil the priority needs at a controlled price because the production of cement industry was not meeting the full requirements of domestic market. But now, the situation has been changed and Union Government has disallowed the import of cement from 1987-88.

Import of this commodity was made upto 1986-87 in a very small quantity, it was 1.76 million tonnes in 1986-87.

Today, the cement industry is in a position to meet the full requirements of domestic market and it is hoped that the cement industry will produce an exportable surplus in the years to come. Thus, the management of Churk cement factory should also take the concrete steps to raise the production by expanding the installed capacity and modernising this old and sick unit to become an exportable producer of cement.

Finally it is suggested that the responsibility of Government does not end with total decontrol of cement industry. It has to take some other concrete steps to ensure the healthy growth of sick units in the country, like Churk cement factory, where average operating cost was higher, by providing some more concession in excise duty. The rebate in excise duty announced by the Finance Minister, Mr. N.D. Tiwari on February 29, while presenting the budget for 1988-89 was not adequate which declined to Rs. 215 from Rs. 225.

The foregoing study has been undertaken with some specific objectives and it can not be claimed that all problems relating to Churk cement factory have been properly examined. It has however covered some vital aspects of the Churk cement factory. Due to the scarcity and non-availability of data the study could not be carried to many other relevant areas

pertaining to the factory. Despite this, it is hoped that all those aspects which have been covered in this study would provide comprehensive and useful guidelines to the management of Churk cement factory as well as to the Government. The suggested measures in this study would not only accelerate the performance of the factory but would also go a long way in boosting the productivity as well as profitability in Churk cement factory of Mirzapur.

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A P P E N D I X

APPENDIX

TABLE-I

Capacity Utilisation in Cement Industry of India from 1950-51 to 1987-88.

Year	Installed capacity (in million tonnes)	Production (in million tonnes)	% capacity utilisation
1950-51	3.3	2.2	67
1955-56	5.0	4.6	92
1960-61	9.3	7.9	85
1965-66	12.0	10.9	90
1970-71	17.4	14.5	83
1975-76	21.2	18.5	87
1980-81	27.0	18.1	67
1981-82	29.2	21.1	72
1982-83	33.5	23.3	70
1983-84	36.9	27.1	73
1984-85	42.8	30.2	71
1985-86	45.5	33.1	73
1986-87	50.0	36.4	73
1987-88	54.0	39.3	73

SOURCE : Compiled from various books on Indian Economy and reports of the Government of India.

TABLE-II

Performance of Public and Private Sector Cement Units in India between 1985-86 to 1987-88.

(in lakh tonnes)

Year	1985-86			1986-87			1987-88		
	Target	Production	Defict/ Excess	Target	Production	Deficit/ Excess	Target	Production	Defecit / Excess
Public Sector	51.22	46.12	(-)5.10	51.40	46.53	(-)4.87	52.75	51.00	(-)1.75
Private Sector	283.78	285.17	(+)1.39	313.60	319.36	(+)5.76	362.25	342.00	(-)20.25
Total	335.00	331.29	(-)3.71	365.00	365.89	(+)0.89	415.00	393.00	(-)22.00

SOURCE : Cement, Bombay, April-June ,1988, p.32.

TABLE-III

Demand and Availability of Cement in India between 1980-81 to 1986-87.

(million tonnes)

Year	Demand	Production	Import	Availability	% short fall
1980-81	28.0	18.7	2.0	20.7	26
1981-82	30.2	21.1	1.6	22.7	25
1982-83	32.6	23.3	1.5	24.8	24
1983-84	35.6	27.1	2.5	29.6	17
1984-85	38.1	30.2	0.4	30.6	20
1985-86	39.4	33.1	0.3	33.4	15
1986-87	41.4	36.4	0.2	36.6	12

SOURCES (a) Commerce, Bombay, September 3-9,1987, p.16.

(b) Cement , Bombay , October-December 1987, p.37.

TABLE -IV

Growth of Per Capita Consumption of Cement in India.

Year	Per capital consumption of cement (kg.)
1915	0.46
1920	0.67
1925	1.35
1930	1.90
1935	2.55
1940	3.84
1945	4.02
1950	7.36
1955	11.46
1960	17.53
1965	21.80
1970	24.61
1975	24.98
1980	28.45
1985	44.00

SOURCE : Das, Kumar B., Cement Industry of India, Ashish Publishing House, New Delhi, 1987,p.402.

TABLE - V

Per Capita Consumption of Cement in India and abroad in 1985.

Countries	Per capita consumption (kgs.)
Average world	200
Italy	693
Japan	561
U.S.S.R.	467
South Korea	460
France	381
West Germany	374
U.S.A.	332
China	135
India	44

SOURCES (a) Commerce, Bombay, September 5-11,1987,p.3.

(b) Cement, Bombay, April -June, 1987,p.14.